BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, JUNE 10, 2014 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE				
	I.	CALL TO ORDER		
	II.	ROLL CALL		
	III.	MINUTES		
		A.	APRIL 24, 2014 MONEY MANAGER PRESENTATIONS	
		B.	MAY 13, 2014 - REGULAR MEETING	
		C.	MAY 14, 2014 - MONEY MANAGER INTERVIEWS	
	IV.	PUBLIC INPUT		
	V.	PETITIONS & COMMUNICATIONS		
		A.	HOTCHKIS & WILEY - SMALL CAP VALUE	
			1.	JIM MILES
18 - 20		B.	PORTFOLIO VALUE - 1/1/14 - 5/30/2014	
		C.	MONEY MANAGERS ON WATCH - **(EFFECTIVE DATE)**	
			1.	BARINGS - **(6/6/13)** NO REPORT
		D.	MONEY MANAGER REPORTS	
21 - 36			1.	CORNERSTONE - ENDING 4/30/2014
			2.	EAGLE ASSET MGMT - ENDING 04/30/2014
			3.	GENEVA - ENDING 04/30/2014
			3.	HOTCHKIS & WILEY - ENDING 04/30/2014
			4.	LOOMIS SAYLES - ENDING 04/30/2014
			5.	MACKAY SHIELDS - ENDING 04/30/2014
			6.	SCHRODER - ENDING 4/30/2014
		E.	RECAPTURE SERVICES	
37 - 39			1.	CONVERGEX - SUMMARY ENDING 4/30/2014
		F.	NORTHERN TRUST	
42 - 48			1.	SUMMARY EARNINGS - NO REPORT
49		G.	REFUNDS/RETIREMENTS ENDING 05/30/2014	
50 - 54		H.	BCERS YTD BUDGET REPORT - ENDING 05/31/2014	
		I.	OTHER GOVERNMENT SERVICE - BUY BACK	
			1.	JOSEPH RIVET

J. CORRESPONDENCE REBALANCE ASSET ALLOCATION

1. HOTCHKIS & WILEY CAPITAL MANAGEMENT

2. INTEGRITY ASSET MANAGEMENT

K. CORRESPONDENCE COMMISSION RECAPTURE LETTERS ABEL/NOSER AND CAPIS.

L. CORRESPONDENCE CONVERGEX TERMINATION LETTER

M. ATTORNEY THOMAS MICHAUD

1. TRUSTEE EDUCATION.

2. RECENT LEGAL ISSUES AND DECISIONS

VI. ANNOUNCEMENTS

A. NEXT REGULAR MEETING - JULY 8, 2014 AT 1:30 P.M., COMMISSIONERS CHAMBERS, 515 CENTER AVENUE 4TH FLOOR, BAY CITY, MI 48708

VII. UNFINISHED BUSINESS

A. CORPORATION COUNSEL

1. LIST OF SUGGESTED CHANGES TO INVESTMENT POLICY.

2. DIRECT DEPOSIT.

VIII. NEW BUSINESS

IX. MISCELLANEOUS BUSINESS

X. ADJOURNMENT

NOTE: In addition to these typed minutes, this board meeting was also taped. These tapes are available for review in the Retirement Office

A meeting of the Board of Trustees was held on April 24, 2014 at 8:34 a.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

Trustees Present: Chairperson Gray, Mr. Brzezinski, Mr. Gromaski, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Zielinski.

Trustees Absent: Mr. Coonan

Also Present:
Consultant: The Bogdahn Group: Mary Nye
Finance Officer: Crystal Hebert
Retirement Administrator: Janie Tacey

The meeting was called to order by Chairman, Steve Gray at 8:34 a.m.

1. Moved, supported and carried to excuse Trustee Coonan.

Mr. Gray called for public input. Seeing no one from the public present, he moved onto petitions and communications.

Present today are representatives from three money managers to present their performance reports. Copies were provided to all Trustees, in advance, via the web.

First to present is Barbara Cassidy, Relationship Manager Baring Asset Management, Boston, Massachusetts. Also present via telephone was Thomas Mann, Investment Manager International and World Equity Group based out of London. Ms. Cassidy reports that there were no changes at the prime level and business is going very well. Currently they have $59 billion in assets under management globally. She gave an overview of the company and how they run their international equity portfolios.

Ms. Cassidy reported disappointing results, and explained the factors that contributed to the poor performance such as emerging markets, and the European and Japanese markets.

Mr. Mann reports today via phone from London. He pointed out that utilities were the best performing sector. He discussed the underweight and overweight sectors and how they were impacted by the geopolitical turmoil in the Ukraine and in Russia and the slowing economy in China. He discussed emerging markets and stated they are looking at Latin America for potential opportunities.

Mr. Mann states the U.S. economy has been the major driver of growth in the world over the last year or so. However, it still remains weak and the Federal Reserve is taking a very measured approach towards tapering of the stimulus.

They answered questions from Trustees one being about the investment policy and guidelines. Ms. Cassidy states that no changes are needed at this time.

The representatives answered questions from the Trustees, concluded their presentation, and departed. A five-minute break was taken until 9:30 a.m.

Next on the agenda is Baird Advisors from Milwaukee, Wisconsin. Present are Sharon Deguzman, Senior Vice President and Senior Portfolio Manager and Jeffrey Schrom, Senior Portfolio Manager. Ms. Deguzman gives an overview of Baird which is privately held and employee owned allowing the company to focus on long-term goals and short-term earnings. Ms. Deguzman states they have $21.1 billion assets under management as of the end of March. This is up about $3 billion since approximately a year ago. Page 9 of the report shows Total Net Returns as of March 31, 2014. The Bay County Portfolio would fit between the Aggregate and the Intermediate Portfolio. You can see strong returns of 1 to 2.5%.

Ms. Deguzman hands the presentation over to Jeff Schrom. Mr. Schrom discussed the market outlook and states they see continued growth. What is important for the Bay County Retirement Fund portfolio is what is happening in the U.S. economy. Inflation remains very benign in the U.S. and they think wages are the key issue to watch. In terms of fiscal policy, there continues to be some progress. The gridlock continues and deficits continue to be fairly large although they have declined a little as a result of some of the tax increases and a little better economic environment. We continue to be in an area of elevated risk. The Fed is still exiting from the taper but they will continue to be very accommodative in terms of keeping interest very low and they do not think they will increase short-term rates until mid to late 2015.

Mr. Schrom discussed interest rates, yield curves, basis points for the first quarter, geo-political issues in the Ukraine, mortgage backed securities, and current mortgage rates.

Ms. Deguzman goes over Bay County Employee Retirement System. They are investing in U.S. Treasuries, mortgaged backed securities and Agency CMBS (Commercial Mortgage Backed Securites). They are watching the amount of fixed-rate mortgages in those pools. We really prefer just using stable mortgages. Again, you do not want your funds to extend on you so when interest rates go up, people do not repay so that extends maturity of your bonds. When interest rates are higher, that is when you want your catch coming back so that you can re-invest at a higher rate. Baird tries to watch that and attempts to minimize the extension rate as much as possible.

She states they do think the portfolio will benefit from the steep yield curve. They try to position the portfolio to take advantage of the fact it curves and does add value to our portfolio.

As of March 31, 2014, the average coupon has 3.41% relative to the benchmark of

2.97%. So again, trying to throw off a little more coupon in case or if interest rates were to rise. The duration is 5.26 years which matches the duration of the index. The Quality Breakdown indicates very high quality. If we look back to the last time we were here, you will see our mortgage backed exposure came down a little bit and our treasury exposure went up. Under the Sector Breakdown section you will see Treasuries are at 38% compared to about 29% a year ago. The Mortgages/CMO at 43% is actually two different buckets. The market value is $24 million and that is reflecting the $2 million contribution from last July.

Going over the snapshot of performance there was consistent performance relative to the benchmark since 2006 and we finished up the year in 2013 at a (-2.59%). We are slightly behind the benchmark. Most bull market portfolios were down 4-5%. We are not happy with the negative return, but have seen a nice snap back in the first quarter. There is the uncertainty of geopolitical risks and nervousness in the market.

The representatives answered questions, concluded their presentation and departed.

A five minute break was taken.

Next on the agenda is Columbia Management, New York City, New York. Present today are Alan Puklin, Senior Relationship Manager and Richard Rosen, Portfolio Manager. They have been managing the portfolio for 14 years with the same approach and the same style. Mr. Puklin reviewed the management team and their experience, skills and focus. Mr. Rosen gave a brief talk of how the team manages money. Mr. Rosen talks about Columbia believing in long-term investing and having good ideas count. He goes over the portfolio consisting of about 35 stocks in Large Cap companies that define America's greatest. They generally pay a nice dividend of world earnings and are well-managed. If the company is performing well, they do not really trade the portfolio. Last year of the 35 stocks they made only one trade.

Mr. Puklin discussed the performance of the portfolio. Last year there was one trade and it was the first year that every stock in the portfolio was actually positive. He talked about the weak economy getting better. Last year the portfolio was up 38.4% significantly outperforming the benchmark which is the Russell 1000 Value Index. The broad market is measured by the S&P 500 which was 32.39%. Growth and value had pretty much the same type of year. For the 3-year period they significantly outperformed the benchmark and broad market and the same for 5 years and 10 years. Since inception they were just slightly behind by 6 basis points compared to the Russell 1000. For the first quarter of the year they were up about 3.5% outperforming the benchmark once again and significantly outperforming the broad market. They also outperformed for the 1-year period. The 3-year period is just about in line and outperforming for the 5-year and 10-year and bottom line since inception. Mr. Puklin reiterated that they are not traders, but are long-term investors with some of the names in the portfolio being there since the beginning and some names sold out and bought back.
Mr. Pulkin and Mr. Rosen state that the investment policy and guidelines are

not restricting them at this time and no changes are needed. They answered questions from the Trustees, concluded their presentation and departed.

2. Moved, supported and carried to receive the performance report from Columbia Management.

3. Moved, supported and carried to receive the performance report from Baird Advisors.

4. Moved, supported and carried to receive the performance report from Barings Asset Management.

Trustees asked Ms. Nye for her opinion regarding Barings performance and potentially replacing them. She recommended they continue their search for candidates and then make a decision.

ANNOUNCEMENTS:
A. Next regularly scheduled meeting will be Tuesday, May 13, 2014 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

UNFINISHED BUSINESS:

The date and time of the meeting for the interviews regarding the search for money managers will be May 14, 2014 at 8:30 a.m.

NEW BUSINESS: None

MISCELLANEOUS BUSINESS None

ADJOURNMENT:

5. Moved, supported and carried to adjourn the meeting at 11:14 a.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
April 24, 2014

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIRPERSON STEVE GRAY AT 8:34 A.M.

TRUSTEE	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
BRZEZINSKI	Y	M-Y	Y	Y	Y					
COONAN	E	E	E	E	E					
GRAY	Y	Y	Y	Y	Y					
GROMASKI	M-Y	Y	Y	M-Y	Y					
HEREK	E	E	E	E	E					
MORSE	S-Y	Y	Y	Y	S-Y					
PETT	Y	Y	S-Y	Y	M-Y					
STARKWEATHER	Y	S-Y	M-Y	Y	Y					
ZIELINSKI	Y	Y	Y	S-Y	Y					

TRUSTEE	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
BRZEZINSKI										
COONAN										
GRAY										
GROMASKI										
HEREK										
MORSE										
PETT										
STARKWEATHER										
ZIELINSKI										

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

NOTE: In addition to these typed minutes, this board meeting was also taped. These tapes are available for review in the Retirement Office

A meeting of the Board of Trustees was held on May 13, 2014 at 1:30 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

Trustees Present: Chairperson Gray, Mr. Brzezinski, Mr. Coonan, Mr. Gromaski, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Zielinski.

Trustees Absent: None.

Also Present:
Consultant: The Bogdahn Group: Howard Pohl and Peter Brown.
Finance Officer: Crystal Hebert
Retirement Administrator: Janie Tacey
Corporation Counsel/Personnel Director: Timothy Quinn
Asst. Corporation Counsel: Amber Johnson
Asst. Corporation Counsel: Shawna Walraven

The meeting was called to order by Chairman, Steve Gray at 1:33 p.m.

1. Moved, supported and carried to accept the minutes of the April 8, 2014 regular meeting.

Mr. Gray called for public input. Seeing no one from the public present, he moved onto petitions and communications.

Present today are Mr. Howard Pohl and Peter Brown from The Bogdahn Group to present the first quarter report for 2014. A copy was provided to all Trustees, in advance, via the web.

Mr. Pohl goes over a couple of housekeeping items before presenting the first quarter report. First is proxy voting. Our investment policy states that our money managers will vote the proxy in the best interest of the client. Recently, there have been a couple of issues that have come up and will come up again and that is proxy voting in connection with Mutual Funds. Things like voting a replacement board member of a Mutual Fund or the need to amend the policy in the Mutual Fund for certain things. Those are not specifically addressed in your investment policy. It would be our suggestion that routine matters such as changing the auditor or replacing a board member be voted on directly by the Finance Department and simply sent back to show that you voted your proxies.

However, there are non-routine things and in those situations Mr. Pohl suggests those be referred to Bogdahn. They would research it and get back to us with a recommended vote. The Finance Department would take that recommendation. If this Board agrees with the suggestion, then Bogdahn would incorporate that in re-writing our investment policy. Mr. Pohl answered questions from the

Trustees regarding the suggested change and how it would work. Chairman Gray clarifies that as Finance Director, it would to Ms. Hebert, and she would go ahead and make the vote and send it back. Trustee clarifies that Mr. Pohl would make a recommendation on the vote, report it to Ms. Hebert and she would cast the vote. It would not come back to the Board. Mr. Pohl responds that is his original recommendation.

2. Moved, supported and carried to have Ms. Johnson write a procedure which would authorize Mr. Pohl and The Bogdahn Group to evaluate non-routine proxy requests from Mutual Fund companies.

The procedure is to include a recommendation on how they should be voted and forward a copy of the recommendation to Ms. Hebert.

Roll call on Motion to change the investment policy procedure on proxy voting with regard to Mutual Funds:

Mr. Brzezinski - Yes
Mr. Coonan - Yes
Mr. Gray - Yes
Mr. Gromaski - Yes
Mr. Herek - Yes
Mr. Morse - Yes
Mr. Pett - Yes
Mr. Starkweather - Yes
Ms. Zielinski - Yes

Mr. Pohl addresses the second issue of Munder Capital being acquired by Victory Capital. All teams under Victory will stay the same as well as the Munder teams. They are getting acquired but there is no change in the process or the people.

Mr. Pohl goes over the new report format of the quarterly report. There were modest returns in the developing market indices. The emerging market index was off a fraction as well, but modestly positive returns for the financial end of things. The domestic indices were all give or take around 2% except Mid Cap which was a little bit better and Small Cap was a little bit worse. In the domestic markets for this quarter the value earning stocks do better than growth earning stocks.

The bond markets were up just about the same as the domestic. Some of the lower quality bonds did a little bit worse over the quarter. The Aggregate index up about 1.8%. Overall, returns of stocks and bonds were about the same this quarter.

Page 11 shows the Fund starting out with a little over $295.5 million and $2.8 million plus taken out of the funds for distributions and expenses. Having over $6.8 million of a return on investment income plus appreciation ended the quarter at nearly $300 million. Over the last year we went from $263.6 million taking out expenses of $10 million and gaining over $45 million of return on investment. It was a terrific year in terms of return for the Plan.

Page 22 looks at the comparative performance totals of the fund, domestic equities and each of the money managers. This shows the fund was up 2.32% for the quarter the top 25th percentile of all plans in the country. Looking at the last year, you were up 17.4% and ranked in the top 3rd percentile of all plans where the median was 11.97% so you were over 5% better than the median for this period. Total fund policy 14.20. The 3 and 5 years showing compounding at over 18% a year you are in the top 2%. To say the plan is having a terrific 5-year period would be an understatement.

He reviewed the individual years that made up the performance for each of the mangers and we could see what the managers did year to year and how the cumulative record was achieved. Historical statistics show virtually an up market. We have experienced tremendous returns for your fund. We want to make sure that when the market declines, you are protected there too.

Mr. Pohl reviewed the individual managers and states that Columbia relative to other shows Large Cap value funds was top quartile for the quarter top decile so no problems there. Vanguard was just above median and in line with S&P 500 index. Integrity was in the top decile for the quarter and top quartile for 5 years so no issues there. Geneva now has 1-year performance. We will be watching them very closely to see how they are doing. Stocks have been highly correlated now they are getting to be less correlated so their individual stock picking is going to be more difficult. We will be focusing on Geneva and see how they are doing.

Hotchkis & Wiley shows top quartile for the quarter, top decile for 5 years. No issues there. Eagle Asset Management has had some issues. When we look at their performance, they are a little bit below the median for the quarter. Looking at the individual years you can see they had an average year in 2011 at the top quartile in 2012, but the performance in the last 12 months has crushed that 3-year number. We want to see if they start to pull out of this.

Looking at the International Equities and see top quartile for the quarter, top decile for the year and top quartile for 4 years. Barings had another bad quarter. Shroder's has had an excellent quarter top decile, 3rd quartile for the year. That has certainly improved their cumulative results. Looking at the individual years they have been below average up until the last year but they seem to be turning things around. This is true incidentally not only for international funds, but also in their fixed income.

Fixed Income is fractionally above the median for the quarter, top third for the year, roughly average for 5 years, but your fixed income has been over 10% annually above the median. Bogdahn had a meeting with Loomis Sayles yesterday and talked about the performance of the fund which is a fraction below the median for the quarter. They don't try to play interest rates and they are doing a good job.

Baird is a government orientation and is average for the quarter, but the 5-years just about ending along the benchmark with their 50% government and 50% mortgage-backed security index. Just about average.

MacKay Shields is a manager that we are going to be delving into a little bit more. They were fractionally below the median for the quarter and roughly median for the year. Their cumulative record is below average and we are hopefully seeing some turn around here in the last year where they were roughly average.

With a couple of exceptions things look extremely good. Your long-term record continues to be excellent and we don't have any recommendations on anything. Mr. Pohl answered questions from Trustees, and concludes his presentation.

3. Moved, supported and carried to accept the first quarter report from The Bogdahn Group.

Discussion on Cash balance of the portfolio and the balance dropping in April from $2.8 million down to $624,999. Ms. Hebert explains that is the cash account used for paying benefits, and reimbursing the County. Re-balancing will be on the next agenda and that will bring the cash account back up. The months before may reflect being re-balanced right before the report. This is just a picture at month's end. The benefit payments are administered at the beginning of the month. Another Trustee asks about small balances carried on former funds Denver and Wentworth. Ms. Hebert states those residual balances were also moved during the re-balancing. Those will show up on next month's report.

4. Moved, supported and carried to receive the Portfolio Value from January 1, 2014 to May 2, 2014. The value today is $298.7 million.

5. Moved, supported and carried to receive portfolio reports from Cornerstone, Eagle Asset, Geneva, Loomis Sayles, MFS Investment, MacKay Shields, and Schroder all ending March 31, 2014.

6. Moved, supported and carried to receive the report from ConvergEx ending March 31, 2014.

7. Moved, supported and carried to receive Northern Trust's Summary Earnings ending March 31, 2014.

8. Moved, supported and carried to receive Northern Trust's Summary Earnings ending April 30, 2014.

9. Moved, supported and carried to receive Refunds/Retirements for the month ending April 30, 2014.

10. Moved, supported and carried to approve a non-duty disability retirement for Mr. Brian Davidson.

11. Moved, supported and carried to receive BCERS Year-To-Date Budget report ending May 7, 2014.

Discussion with Ms. Johnson regarding part-time employees in the General Group that did not meet the 800 hours per year requirement for retirement eligibility. Ms. Johnson introduces Shawna Walraven who just started as Assistant Corporation Counsel.

Ms. Johnson discusses the retirement ordinance issue brought up last month on whether or not individuals who were working less than 800 hours per year would be considered vested under the system. The way that the ordinance currently reads, we use the term "normally requires." So an employee is in a permanent position if that position normally requires them to work 800 hours or more per year. With these particular employees, if you look at the 10-year history for them, I believe that they hit the 800-hour mark and actually exceeded the 800-hour mark only 1 or 2 years. So even if you take those 10 years and you average them together, you are not looking at a minimum of 800 hours per year over that 10-year period. In fact, there is one of the years that these employees worked less than 500 hours. Generally speaking, when you look at the work history, the work history showed somewhere between 640 to 740 hour range with 700 at the high side and most of the time in the 600s.

The question becomes whether or not the language in our ordinance is ambiguous. There is no particular legal term for "normally requires." There is no specific definition in legal terms for what "normally requires" is. The law says that what we have to do is try to give it its normally accepted meaning or understanding. From a straight dictionary definition it is something that is normal, usual or ordinary. Basically conforming to a type, standard or regular pattern. The only regular pattern we have with these particular employees is that they have regularly worked less than 800 hours per year. Because that is the normal everyday expected definition of that phrase it is the opinion of Corporation Counsel that these particular employees were not in permanent positions and, therefore, would not be in the retirement system. The ordinance does give the board discretion if there is ambiguity to make a determination as to who is an included person in the system and who is an excluded person in the system. I do not think that our failure to define the term in this particular case makes the ordinance ambiguous. I think that when we use the regular, commonly accepted usage of the term, that clearly these individuals do not fall within the permanent position definition.

It would be our recommendation that they not be included in the retirement system. I have found no past practice for the retirement system that states that employees who have worked less than 800 hours per year have been vested. I would suggest that for future reference, we change the language so there is no ambiguity. Change the definition to remove the phrase "normally required" and just make strict standards that says our permanent positions are positions which require 800 hours or more per year and 65 hours or more per month to be given credit for that month into the retirement system.

There was discussion among the trustees and Ms. Johnson as to what the county is contributing to the system on behalf of these individuals, what constitutes a permanent position, membership in the retirement system, scheduled hours versus hours actually worked, how service dates are tracked and which Board will review the language for changes in the ordinance.

Chairman Gray inquired about the next step in notifying these two individuals that they do not qualify for retirement. Who prepares the letter? Ms. Johnson states she thinks historically it would be something that the Retirement Administrator would prepare. She will assist in drafting the letter. As far as any changes in the language, Ms. Johnson states that will go back to the County Board. She believes that a motion in recognition of the change should be made so that we can take it to the County Board.

12. Moved, carried and supported to ask the County Board to review the recommended changes to the ordinance proposed by Ms. Johnson.

Chairman Gray asks Ms. Johnson to put a boilerplate letter together for Ms. Tacey which can be used for future cases.

13. Moved, carried and supported to receive correspondence by Integrity (Munder Capital) regarding acquisition by Victory Capital.

ANNOUNCEMENTS:

A. Next regularly scheduled meeting will be Tuesday, June 10, 2014 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

UNFINISHED BUSINESS:

Trustee inquired about the status of the real estate manager and the waiting period involved. Consultant responded that it could be another 9 to 10 months. Trustee inquired about the contract and Ms. Hebert responds that we are in the queue as of March 31, 2014.

NEW BUSINESS:

Chairman Gray comments that he would like the Board to think about direct deposit options for all retirees. This past winter there were two months where weather played a part in late pension checks for those receiving paper checks in the mail. He will bring it up in a month or two as to whether the Board would go to work on the changeover where everybody has their money deposited in their bank, credit union or a debit card. He would actually like to convert it in a two-step process and no longer have a paper check be an option for new retirees. Step 2 would eventually switch all current retirees receiving paper checks over to direct deposit. A trustee stated he would like advice from Corporation Counsel next month so the Board can talk about it again and decide on a direction to take.

MISCELLANEOUS BUSINESS:

Ms. Johnson wanted the Board to be aware of some issues that are coming up from some retirees. Ms. Tacey received a call last month regarding a question that may come again. The question is how is a spouse defined under our Plan since same-sex marriage is not legal in the state of Michigan. If someone is legally married to someone of the same sex in another state that recognizes same-sex marriage does our retirement policy use the definition of spouse as used in Michigan or any another state. She is going to prepare a written opinion on this and will copy all of the Board members. Since our plan is subject to the Internal Revenue Code, we have to follow the legally Federal definition of spouse which does, in fact, include same-sex partners married in another state. Our policy would, in fact, include the same-sex partner of a spouse from a different state where that marriage was legally performed.

ADJOURNMENT:

14. Moved, supported and carried to adjourn the meeting at 2:59 p.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
May 13, 2014

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIRPERSON STEVE GRAY AT 1:33 P.M.

TRUSTEE	1	2	3	4	5	6	7	8	9	10
BRZEZINSKI	Y	Y	Y	Y	S-Y	Y	Y	Y	Y	Y
COONAN	M-Y	Y	Y	Y	Y	Y	Y	M-Y	M-Y	Y
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
GROMASKI	Y	S-Y	M-Y	Y	Y	Y	Y	Y	Y	Y
HEREK	Y	Y	Y	Y	M-Y	M-Y	M-Y	S-Y	Y	M-Y
MORSE	Y	Y	S-Y	Y	Y	Y	Y	Y	Y	S-Y
PETT	Y	Y	Y	Y	Y	S-Y	S-Y	Y	S-Y	Y
STARKWEATHER	S-Y	M-Y	Y	Y	Y	Y	Y	Y	Y	Y
ZIELINSKI	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

TRUSTEE	11	12	13	14	15	16	17	18	19	20
BRZEZINSKI	M-Y	Y	Y	Y						
COONAN	Y	M-Y	S-Y	S-Y						
GRAY	Y	Y	Y	Y						
GROMASKI	Y	Y	Y	Y						
HEREK	Y	S-Y	M-Y	M-Y						
MORSE	S-Y	Y	Y	Y						
PETT	Y	Y	Y	Y						
STARKWEATHER	Y	Y	Y	Y						
ZIELINSKI	Y	Y	Y	Y						

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

NOTE: In addition to these typed minutes, this board meeting was also taped. These tapes are available for review in the Retirement Office

A special meeting of the Board of Trustees to interview money managers was held on May 14, 2014 at 8:30 a.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

Trustees Present: Chairperson Gray, Mr. Brzezinski, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Zielinski.

Trustees Absent: Mr. Coonan and Mr. Gromaski.

1. Moved, carried and supported to excuse Trustees Coonan and Gromaski.

Also Present:
Consultant: The Bogdahn Group: Howard Pohl and Peter Brown.
Finance Officer: Crystal Hebert
Retirement Administrator: Janie Tacey
Corporation Counsel/Personnel Director: Timothy Quinn.
Attorney: Thomas Michaud

The meeting was called to order by Chairman, Steve Gray at 8:32 a.m.

Trustee Herek entered the meeting at 8:40 a.m.

Crystal Hebert entered the meeting at 8:45 a.m.

Thomas Michaud entered the meeting at 10:30 a.m.

Mr. Gray called for public input. Seeing no one from the public present, he moved onto petitions and communications.

Representatives present today are Ms. Kimberly Hyland, Relationship Manager and Peter Loncto, Investment Product Manager both of MFS; Anil Thomas VP, Institutional Sales and Alice Fricke VP, Senior Client Portfolio Manager both with OFI; and Ms. Eileen Kwei, Product Specialist for International Growth Strategy with Artisan Partners. Representatives from all three companies provided hard copies of their presentations to all Trustees.

MFS gave their presentation to the Board. There was a short question and answer period and questions were asked by Trustees including fees and the investment policy. Representatives responded total fees would be 80 basis points, 75 basis points as being investment management fee and 5 basis points being official administrative fees a total of 80 basis points and the investment policy was not restricting. They concluded their presentation at 9:30 a.m. A five-minute break was taken and the meeting resumed.

OFI gave their presentation to the Board. There was a short question and answer period and questions were asked by Trustees including fees and the investment policy. Representatives responded the investment management fee would be 0.7% and the investment policy was not restricting. They concluded their presentation. A five-minute break was taken and the meeting resumed.

Artisan Partners gave their presentation to the Board. There was a short question and answer period and questions were asked by Trustees including fees and the investment policy. Representatives responded the mutual fund has a 2% redemption fee within 90 days and the investment policy and guidelines are fine.

Mr. Morse departed the meeting at 11:10 a.m.

Chairman Gray asked for input from all the Trustees on all three money managers. Discussion of the firms between the Trustees and Mr. Howard Pohl and Mr. Peter Brown, consultants from The Bogdahn Group. Discussion of protection the firms offer on the downside market, how they performed on the upside market, the investment vehicle of the firms, their fees and comparing their performances.

Chairman Gray asked the Board to rank the companies.
Ranking:
Trustee Brzezinski: 1) OFI 2) MFS 3) Artisan
Trustee Herek: 1) OFI 2) MFS 3) Artisan
Trustee Pett: 1) OFI 2) MFS 3) Artisan
Trustee Starkweather: 1) MFS 2) Artisan 3) OFI
Trustee Zielinski: 1) MFS 2) OFI 3) Artisan
Chairman Gray: 1) OFI 2) MFS 3) Artisan

Chairman Gray asks the input of the consultants Mr. Brown and Mr. Pohl. Mr. Brown states his input on the three with Artisan higher octane and higher fees and with OFI a little more conservative and cost effective on the downside and MFS kind of in the middle. He recommends OFI if the Board wants to go more conservative and if they want more aggressive MFS and even more aggressive Artisan. Mr. Pohl is reticent to pick the one with most recent performance. He tries to look at the characteristics such as how they do their research, fees, volatility. He states the overlap of OFI versus Schroeders would be an issue for him. He also takes a look at the 3Ps; people, process and performance. He would eliminate Artisan due to fees. He leans more towards MFS, but a really close call.

Chairman Gray asks for a roll call vote:

Trustee Brzezinski: MFS.
Chairman Gray: OFI.
Trustee Pett: MFS.
Trustee Starkweather: MFS.
Trustee Zielinski: MFS.
Trustee Herek: OFI.

Chairman Gray states MFS wins 4-2.

Mr. Pohl explains the plan would be to look at ways to liquidate securities in the Barings portfolio and then do the transition as simultaneously as possible and get the new firm going. Obviously look at contract and those kinds of things.

Mr. Michaud comments the vote must pass with 5 affirmative votes.

Trustee Herek changed his vote to MFS.

Chairman Gray states to let the record show MFS wins 5-1.

ANNOUNCEMENTS:

A. Next regularly scheduled meeting will be Tuesday, June 10, 2014 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

UNFINISHED BUSINESS:

Mr. Michaud apologizes for the mistake on the mixup of the dates for the meeting and not coming on the correct date. Trustee Brzezinski asks that since not all Board members are present and the information Mr. Michaud will be sharing is very valuable that they wait until next month to go over the information.

NEW BUSINESS: None
MISCELLANEOUS BUSINESS None
ADJOURNMENT:

2. Moved, supported and carried to adjourn the meeting at 11:26 a.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
MAY 14, 2014

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIRPERSON STEVE GRAY AT 8:32 a.m.

Mr. Herek entered the meeting at 8:40 a.m.
Mr. Morse departed the meeting at 11:10 a.m.

TRUSTEE	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
BRZEZINSKI	Y	Y								
ECOONAN	E	E								
GRAY	Y	Y								
GROMASKI	E	E								
HEREK	___	Y								
MORSE	S	___								
PETT	M	M								
STARKWEATHER	Y	Y								
ZIELINSKI	Y	S								

TRUSTEE	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
BRZEZINSKI										
COONAN										
GRAY										
GROMASKI										
HEREK										
MORSE										
PETT										
STARKWEATHER										
ZIELINSKI										

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

2014 VENDOR #	BAIRD 03341	BARINGS 1530	CORNERSTONE 484	DENVER 20924	EAGLE (RJFN) 2680	GENEVA 4209	HOTCHKIS & WILEY 57487	LOOMIS SAYLES 35127	MACKAY SHIELDS 55027	MFS 4025	INTEGRITY 50100	SCHRODER 55337	COLUMBIA 44807	VAN GUARD	WENTWORTH (WHV) 58141	CASH	TOTAL
JAN	24,463,170.06	15,810,418.52	10,882,785.36	15,636.55	10,845,477.76	23,655,580.91	11,093,089.76	33,704,722.73	17,312,317.81	42,185,660.33	25,341,799.15	17,897,691.90	42,025,846.40	12,827,293.37	1,556.12	2,315,529.80	290,378,576.53
FEB	24,551,115.13	16,435,350.37	11,477,164.97	15,637.07	11,334,968.12	23,126,136.82	11,626,222.96	34,155,815.39	17,896,798.78	44,594,775.30	25,791,007.32	19,007,323.01	43,808,067.15	13,413,634.59	1,556.12	4,108,385.47	301,343,958.57
MARCH	24,451,455.29	16,112,044.93	11,576,093.43	15,637.73	10,990,678.81	22,732,376.59	11,880,593.12	34,155,505.52	17,889,095.57	43,121,006.00	26,219,742.92	19,196,246.07	44,725,223.10	13,525,599.60	1,556.12	2,878,706.83	299,471,561.63
APRIL	24,633,385.70	16,163,335.27	11,969,963.90	15,638.20	10,525,312.54	22,013,618.56	11,824,986.92	34,626,936.79	17,928,509.41	42,446,609.11	25,950,856.13	19,081,951.23	44,652,815.17	13,624,971.35	1,556.12	1,904,660.39	297,365,106.79
MAY	24,915,612.38	16,285,668.70	12,255,489.81	68.90	10,420,967.19	22,036,229.29	11,146,295.86	35,135,493.30	18,321,580.97	43,994,227.36	24,495,435.08	19,283,222.79	45,859,847.45	13,944,380.56	0.00	4,112,797.10	302,207,316.74
JUNE																	0.00
JULY																	0.00
AUG																	0.00
SEPT																	0.00
OCT																	0.00
NOV																	0.00
DEC																	

2014	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	GENEVA	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MFS	INTEGRITY	SCHRODER	COLUMBIA	VAN GUARD	WENTWORTH	CASH	TOTAL
1ST QTR	18,338.59		17,364.14		23,354.79	43,446.00	28,833.33	26,350.69	21,673.73	64,004.36	52,095.00	36,475.38	54,677.10				386,613.11
2ND QTR																	0.00
3RD QTR																	0.00
4TH QTR																	0.00
2014 YTD	18,338.59	0.00	17,364.14	0.00	23,354.79		28,833.33	26,350.69	21,673.73	64,004.36	52,095.00	36,475.38	54,677.10		0.00	0.00	386,613.11

INVESTMENT MANAGER FEES ARE PAID FROM: 73127400 80100 (Professional Services)

BAIRD	GOVERNMENTAL FIXED INCOME MANAGER
BARING	LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER
COLUMBIA	LARGE CAP DEEP VALUE MANAGER
CORNERSTONE REAL ESTATE	REAL ESTATE INVESTMENT TRUST MANAGER
EAGLE	SMALL-CAP GROWTH MANAGER
GENEVA	MID-CAP GROWTH MANAGER
HOTCHKIS & WILEY	SMALL CAP VALUE MANAGER
INTEGRITY	MID-CAP VALUE MANAGER
LOOMIS SAYLES	CORPORATE BOND MANAGER
MACKAY SHIELDS	CONVERTIBLE BOND MANAGER
MFS	LARGE CAP GROWTH EQUITY MANAGER
SCHRODER	INTERNATIONAL SMALL/MID CAP EQUITY MANAGER
WENTWORTH	LARGE CAP CORE MANAGER

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INVESTMENT MANAGER FEE SCHEDULES

BAIRD	.30% - FIRST $25 MILLION .25% - NEXT $25 MILLION .20% - NEXT 50 MILLION .15% - THEREAFTER
BARING	.95% -ON ASSETS UNDER MANAGEMENT
COLUMBIA	.50% - FIRST $40 MILLION .40% - NEXT $60 MILLION
CORNERSTONE	.60% - OF THE FAIR MARKET VALUE OF ASSETS
EAGLE	.85% - ON ASSETS UNDER MANAGEMENT
GENEVA	.75% - ON ASSETS UNDER MANAGEMENT
HOTCHKIS & WILEY	1.00% -ON ASSETS UNDER MANAGEMENT
INTEGRITY	.85% - FIRST $15 MILLION .75% - NEXT $25 MILLION
LOOMIS SAYLES	.35% - FIRST $20 MILLION .25% - NEXT $80 MILLION .20% - OVER $100 MILLION
MACKAY SHIELDS	.50% - UP TO $100 MILLION .40% - ABOVE $100 MILLION
MFS	.60% - ON FIRST $50 MILLION
SCHRODER	.75% - UP TO $10 MILLION .50% - UP TO $100 MILLION
WENTWORTH	.80%-FIRST $2 MILLION .60%-NEXT $8 MILLION .50%-NEXT $10 MILLION .40%-NEXT $10 MILLION .30%-OVER $30 MILLION

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CORNERSTONE

PERFORMANCE HISTORY
Bay County Employees' Retirement System

Time Period	4/30/2014	Percent Return Per Period — Portfolio Gross	Portfolio Net	FTSE/NAREIT Equity REIT Index
1 Month		3.40%	3.35%	3.31%
YTD		13.66%	13.44%	13.62%
1 Year		3.71%	3.09%	0.87%
3 Year		10.35%	9.69%	9.81%
5 Year		23.22%	22.49%	22.26%
Inception (October 21, 2008)		17.44%	16.75%	15.39%

CORNERSTONE

April 30, 2014

Bay County Employees' Retirement System

Symbol	Description	Property Type	Shares	Cost	Cost Per Share	Closing Price 4/30/2014	Percentage of Portfolio	Market Value 4/30/2014	Dividend Yield
Equity Holdings									
ACC	American Campus Communities In	Apartment	11,500	416,249	$36.20	38.20	3.67%	$439,300	3.8%
AIV	Apartment Investment & Managem	Apartment	7,390	221,851	$30.02	30.83	1.90%	$227,834	3.2%
EDR	Education Realty Trust Inc	Apartment	27,040	258,457	$9.56	10.20	2.30%	$275,808	4.3%
EQR	Equity Residential	Apartment	4,920	258,896	$52.62	59.44	2.44%	$292,445	3.3%
ESS	Essex Property Trust Inc	Apartment	2,440	409,258	$167.73	173.26	3.53%	$422,754	2.8%
LXP	Lexington Realty Trust	Diversified	14,710	168,173	$11.43	10.76	1.32%	$158,280	5.9%
VNO	Vornado Realty Trust	Diversified	3,854	270,611	$70.22	102.60	3.30%	$395,420	2.8%
DOC	Physicians Realty Trust	Healthcare	4,450	51,225	$11.51	13.72	0.51%	$61,054	4.6%
HCP	HCP Inc	Healthcare	4,030	156,580	$38.85	41.86	1.41%	$168,696	5.1%
HCN	Health Care REIT Inc	Healthcare	4,990	282,566	$56.63	63.09	2.63%	$314,819	4.9%
NHI	National Health Investors Inc	Healthcare	1,517	87,426	$57.63	61.69	0.78%	$93,584	4.8%
OHI	Omega Healthcare Investors Inc	Healthcare	2,390	84,257	$35.25	34.78	0.69%	$83,124	5.6%
SBRA	Sabra Health Care REIT Inc	Healthcare	4,300	122,189	$28.42	29.97	1.08%	$128,871	4.6%
VTR	Ventas Inc	Healthcare	2,647	141,125	$53.32	66.08	1.46%	$174,914	4.2%
CSU	Capital Senior Living Corp	Healthcare/Not Indexed	5,940	140,658	$23.68	24.73	1.23%	$146,896	0.0%
AHT	Ashford Hospitality Trust Inc	Hotels	6,350	80,706	$12.71	10.26	0.54%	$65,151	4.7%
CHSP	Chesapeake Lodging Trust	Hotels	9,060	194,705	$21.49	26.99	2.04%	$244,529	3.9%
DRH	DiamondRock Hospitality Co	Hotels	10,980	127,347	$11.60	12.27	1.13%	$134,725	2.9%
FCH	FelCor Lodging Trust Inc	Hotels	19,200	131,777	$6.86	9.23	1.48%	$177,216	0.0%
HT	Hersha Hospitality Trust	Hotels	18,950	107,653	$5.68	5.81	0.92%	$110,100	4.1%
HST	Host Hotels & Resorts Inc	Hotels	19,525	328,007	$16.80	21.45	3.50%	$418,811	2.3%
LHO	LaSalle Hotel Properties	Hotels	5,040	134,164	$26.62	33.08	1.39%	$166,723	3.1%
FR	First Industrial Realty Trust	Industrial	9,481	155,948	$16.45	18.37	1.46%	$174,166	1.9%
PLD	Prologis Inc	Industrial	13,560	517,124	$38.14	40.63	4.60%	$550,943	2.9%
STAG	STAG Industrial Inc	Industrial	7,285	160,253	$22.00	23.53	1.43%	$171,416	5.2%
ARE	Alexandria Real Estate Equitie	Office	2,200	145,014	$65.92	73.82	1.36%	$162,404	3.7%
BXP	Boston Properties Inc	Office	3,370	278,346	$82.60	117.14	3.30%	$394,762	4.1%
BDN	Brandywine Realty Trust	Office	5,590	80,936	$14.48	14.55	0.68%	$81,335	4.1%
CUZ	Cousins Properties Inc	Office	12,790	133,600	$10.45	11.63	1.24%	$148,748	1.8%
DEI	Douglas Emmett Inc	Office	10,137	226,180	$22.31	27.60	2.34%	$279,781	2.8%
HIW	Highwoods Properties Inc	Office	9,690	349,816	$36.10	40.35	3.27%	$390,992	4.2%
HPP	Hudson Pacific Properties Inc	Office	8,120	186,526	$22.97	23.55	1.60%	$191,226	2.1%
KRC	Kilroy Realty Corp	Office	3,852	195,677	$50.80	59.57	1.92%	$229,464	2.4%
PKY	Parkway Properties Inc/Md	Office	1,900	34,866	$18.35	18.86	0.30%	$35,834	3.6%
GGP	General Growth Properties Inc	Regional Mall	19,991	418,663	$20.94	22.97	3.84%	$459,193	2.4%
GRT	Glimcher Realty Trust	Regional Mall	15,310	151,637	$9.90	10.19	1.30%	$156,009	3.9%
SPG	Simon Property Group Inc	Regional Mall	8,198	821,129	$100.16	173.20	11.86%	$1,419,894	2.7%
CUBE	CubeSmart	Self-Storage	20,240	332,504	$16.43	18.60	3.15%	$376,464	2.6%
EXR	Extra Space Storage Inc	Self-Storage	8,350	381,943	$45.74	52.33	3.65%	$436,956	3.1%
AKR	Acadia Realty Trust	Shopping Centers	9,911	249,130	$25.14	27.13	2.25%	$268,885	3.2%
KIM	Kimco Realty Corp	Shopping Centers	11,840	251,780	$21.27	22.92	2.27%	$271,373	3.8%
KRG	Kite Realty Group Trust	Shopping Centers	21,170	131,362	$6.21	6.20	1.10%	$131,254	4.0%
REG	Regency Centers Corp	Shopping Centers	6,080	306,702	$50.44	52.43	2.66%	$318,774	3.5%
RPT	Ramco-Gershenson Properties Tr	Shopping Centers	11,650	183,218	$15.73	16.48	1.60%	$191,992	4.4%
SKT	Tanger Factory Outlet Centers	Shopping Centers	6,650	239,599	$36.03	35.68	1.98%	$237,272	2.6%
				Total Equities			98.4%	$ 11,780,189	3.3%
				Accrued Income			0.1%	$ 7,698	
				Total Cash & Cash Equivalents			1.5%	$ 182,081	
				Total Portfolio Value			100.0%	$ 11,969,968	

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Bay County Employees' Retirement System - 05231100

Portfolio Style: SmallCap Growth Equity

Portfolio Summary

	Month To Date	Year To Date
Beginning Market Value	10,990,490.79	11,026,120.85
Contributions	0.00	0.00
Withdrawals	-14.57	-67.89
Dividend and Interest Income	2,972.73	18,514.85
Change in Market Value	-468,141.46	-519,260.32
Ending Market Value	10,525,307.49	10,525,307.49

Performance Summary

	MTD	QTD	YTD	1 Year	3 Years	5 Years	Annualized Since Inception
Gross	-4.23	-4.23	-4.54	15.33	9.55		19.34
Net	-4.49	-4.49	-5.01	14.22	8.62		18.38
RU20GRTR[1]	-5.13	-5.13	-4.67	21.46	10.32		21.33

[1] *Russell 2000 Growth Index*

Performance is based on fiscal year end of portfolio

Industry Weightings

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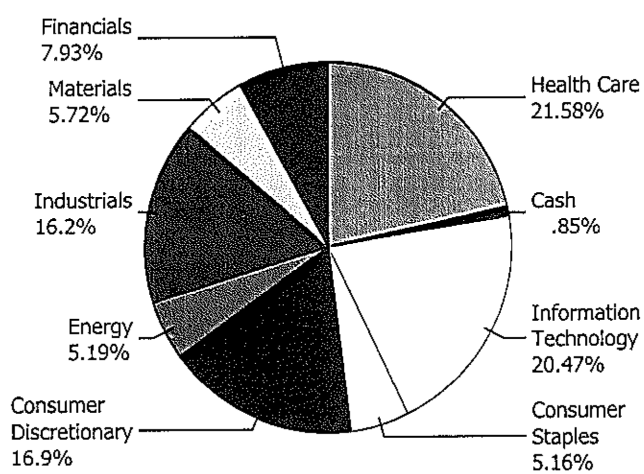

Top Ten Holdings

Security Description	Total Market Value	% of Market Value
HURON CONSULTING GROUP INC	255,180.80	2.42%
TEXAS INDUSTRIES INC	253,597.50	2.41%
GENESCO INC	229,720.96	2.18%
QUAKER CHEMICAL CORP	219,345.21	2.08%
CENTENE CORP	199,332.80	1.89%
NATUS MEDICAL INC	196,976.39	1.87%
ASPEN TECHNOLOGY INC	189,456.93	1.80%
MULTIMEDIA GAMES HOLDING CO	182,412.40	1.73%
VITAMIN SHOPPE INC	182,279.16	1.73%
MANITOWOC COMPANY INC	171,230.64	1.63%

Geneva Capital Management Ltd.

PORTFOLIO APPRAISAL

Bay County Employees' Retirement System XXXX9057 (bcers)

April 30, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Yield
COMMON STOCK							
2,407	AFFILIATED MANAGERS GRP COM	122.37	294,542	198.20	477,067	2.2	0.0
6,809	ALIGN TECHNOLOGY INC COM	30.60	208,387	50.39	343,106	1.6	0.0
9,214	AMETEK INC NEW COM	40.34	371,714	52.72	485,762	2.2	0.5
5,545	AMPHENOL CORP NEW CL A	67.92	376,597	95.35	528,716	2.4	0.8
5,141	ANSYS INC COM	72.76	374,061	76.31	392,310	1.8	0.0
2,168	BARD C R INC COM	115.63	250,690	137.33	297,731	1.4	0.6
6,122	BEACON ROOFING SUPPLY INC COM	41.37	253,244	35.58	217,821	1.0	0.0
9,242	BROWN & BROWN INC COM	31.12	287,567	29.78	275,227	1.3	1.3
6,846	CATAMARAN CORP COM	51.13	350,016	37.75	258,436	1.2	0.0
8,503	CERNER CORP COM	40.92	347,932	51.30	436,204	2.0	0.0
3,159	CHART INDS INC COM	82.49	260,600	68.22	215,507	1.0	0.0
868	CHIPOTLE MEXICAN GRILL INC COM	321.38	278,958	498.50	432,698	2.0	0.0
5,561	CHURCH & DWIGHT INC COM	55.87	310,701	69.01	383,765	1.7	1.8
9,006	COGNIZANT TECHNOLOGY SOLUTIONS CL A	39.08	351,992	47.90	431,432	2.0	0.0
3,207	COMMVAULT SYSTEMS INC COM	82.39	264,214	48.40	155,219	0.7	0.0
3,800	CONCHO RES INC COM	91.71	348,482	130.45	495,710	2.3	0.0
10,108	COPART INC COM	32.30	326,483	36.27	366,617	1.7	0.0
1,916	COSTAR GROUP INC COM	135.61	259,822	160.89	308,265	1.4	0.0
8,021	DICKS SPORTING GOODS INC COM	49.54	397,344	52.66	422,386	1.9	0.9
9,264	DSW INC CL A	41.75	386,798	33.39	309,325	1.4	2.2
12,786	EAST WEST BANCORP INC COM	23.16	296,096	34.51	441,245	2.0	2.1
5,727	FASTENAL CO COM	46.65	267,148	50.08	286,808	1.3	2.0
8,156	FISERV INC COM	41.39	337,578	60.78	495,722	2.3	0.0
3,178	GENESEE & WYO INC CL A	81.71	259,677	99.01	314,654	1.4	0.0
3,888	HAIN CELESTIAL GROUP INC COM	86.39	335,888	86.02	334,446	1.5	0.0
3,462	HUNT J B TRANS SVCS INC COM	69.32	239,990	76.10	263,458	1.2	1.1
5,475	IDEX CORP COM	52.85	289,334	74.57	408,271	1.9	1.5
1,819	IDEXX LABS INC COM	126.30	229,745	126.44	229,994	1.0	0.0
3,566	IHS INC CL A	102.21	364,474	120.63	430,167	2.0	0.0
2,128	INTERCONTINENTAL EXCHANGE, INC.	127.72	271,785	204.44	435,048	2.0	1.3

Geneva Capital Management Ltd.

PORTFOLIO APPRAISAL

Bay County Employees' Retirement System XXXX9057 (bcers)

April 30, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Yield
5,674	INTUIT COM	62.44	354,290	75.75	429,805	2.0	1.0
16,059	LKQ CORP COM	22.85	366,924	29.12	467,638	2.1	0.0
7,913	MANHATTAN ASSOCS INC COM	34.71	274,638	31.53	249,497	1.1	0.0
7,263	MICROS SYS INC COM	44.73	324,872	51.50	374,044	1.7	0.0
1,325	MIDDLEBY CORP COM	214.16	283,768	252.48	334,536	1.5	0.0
4,116	O REILLY AUTOMOTIVE INC NEW COM	87.69	360,918	148.79	612,420	2.8	0.0
4,869	OCEANEERING INTL INC COM	70.43	342,945	73.28	356,800	1.6	1.5
3,328	PALL CORP COM	69.15	230,133	84.15	280,051	1.3	1.3
1,440	PANERA BREAD CO CL A	163.05	234,788	152.97	220,277	1.0	0.0
6,728	PAREXEL INTL CORP COM	33.14	222,945	45.35	305,115	1.4	0.0
3,129	PERRIGO CO PLC SHS	152.20	476,249	144.86	453,267	2.1	0.3
4,245	POLARIS INDS INC COM	83.79	355,709	134.33	570,231	2.6	1.4
4,199	RANGE RES CORP COM	67.17	282,054	90.45	379,800	1.7	0.2
5,172	RAYMOND JAMES FINANCIAL INC COM	51.90	268,429	49.70	257,048	1.2	1.3
7,293	RED HAT INC COM	51.33	374,325	48.65	354,804	1.6	0.0
1,608	ROPER INDS INC NEW COM	114.81	184,611	138.95	223,432	1.0	0.6
3,036	SIGMA ALDRICH CORP COM	76.44	232,069	96.21	292,094	1.3	1.0
4,446	SIGNATURE BK NEW YORK N Y COM	72.85	323,884	118.82	528,274	2.4	0.0
3,933	SIRONA DENTAL SYSTEMS INC COM	69.53	273,452	75.22	295,840	1.3	0.0
2,245	SMUCKER J M CO COM NEW	88.81	199,368	96.68	217,047	1.0	2.4
2,951	STERICYCLE INC COM	95.08	280,582	116.44	343,614	1.6	0.0
8,322	TRACTOR SUPPLY CO COM	46.82	389,619	67.24	559,571	2.5	0.8
12,660	TRIMBLE NAVIGATION LTD COM	30.97	392,093	38.43	486,524	2.2	0.0
3,744	TYLER TECHNOLOGIES INC COM	83.39	312,216	81.65	305,698	1.4	0.0
1,799	ULTIMATE SOFTWARE GROUP INC COM	144.94	260,746	119.63	215,214	1.0	0.0
10,314	UNDER ARMOUR INC CL A	26.12	269,441	48.89	504,251	2.3	0.0
5,698	VARIAN MED SYS INC COM	74.77	426,048	79.55	453,276	2.1	0.0
3,591	VERISK ANALYTICS INC CL A	63.47	227,908	60.09	215,783	1.0	0.0

Geneva Capital Management Ltd.

PORTFOLIO APPRAISAL

Bay County Employees' Retirement System XXXX9057 (bcers)

April 30, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Yield
6,528	WABTEC CORP COM	47.44	309,660	74.55	486,662	2.2	0.2
			18,026,543		21,645,730	98.3	0.5
CASH AND EQUIVALENTS							
	ACCRUED DIVIDENDS		4,189		4,189	0.0	0.0
	CASH ACCOUNT		363,745		363,745	1.7	0.0
			367,933		367,933	1.7	0.0
TOTAL PORTFOLIO			**18,394,477**		**22,013,664**	**100.0**	**0.5**

Please compare the information in Geneva's client reports with the information provided by the independent custodian of your account(s).

The market value on Geneva's report may differ from the value on the statement provided by your custodian due to cut off date, unsupervised assets (if applicable), pricing, or deposits/withdrawals. For tax purposes, refer to custodian records and consult with your tax adviser for advice. Geneva's reports should not be relied upon for tax purposes. Cost basis data is provided for informational purposes only and may differ from custodian records. Please reference your custodial statement for the current yield on money market fund(s). If you are not receiving periodic statements directly from your custodian, please contact Geneva immediately at 414-224-6002. Thank you.

Geneva Capital Management Ltd.

PERFORMANCE HISTORY

NET OF FEES

Bay County Employees' Retirement System

XXXX9057 (bcers)

From 12-31-2013 to 04-30-2014

Time Period	Percent Return Per Period: Total Account	Equities	Russell Midcap Growth Index
12-31-2013 to 01-31-2014	-3.61	-3.48	-2.17
01-31-2014 to 02-28-2014	4.24	4.45	6.28
02-28-2014 to 03-31-2014	-1.71	-1.74	-1.85
03-31-2014 to 04-30-2014	-3.35	-3.21	-1.47
Inception to Date			
01-17-2013 to 04-30-2014	19.42	20.97	30.68

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Geneva Capital Management Ltd.

PERFORMANCE HISTORY
NET OF FEES

Bay County Employees' Retirement System
XXXX9057 (bcers)

From 01-17-2013 to 04-30-2014

Time Period	Percent Return Per Period Total Account	Equities	Russell Midcap Growth Index
01-17-2013 to 12-31-2013	25.11	26.17	29.97
12-31-2013 to 04-30-2014	-4.54	-4.12	0.55
Date to Date			
01-17-2013 to 04-30-2014	19.42	20.97	30.68
Annualized	14.85	16.01	23.20

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BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value — Total Market Value: $11,824,981 (4.0% Cash) — Month Ended April 30, 2014

Performance Returns - Gross of Fees

	MTD	QTD	YTD	Since Incept.
Portfolio - Total Return	-0.47 %	-0.47 %	2.38 %	10.78 %
Portfolio - Equity Only	-0.49	-0.49	2.47	10.75
Russell 2000 Value Index	-2.57	-2.57	-0.84	8.53
Russell 2000 Index	-3.88	-3.88	-2.80	8.61
S&P 500 Index	0.74	0.74	2.56	7.89

Commencement of portfolio: 12/1/03. Periods over one year are average annualized returns.

Weighted Average Portfolio Characteristics

	Portfolio	Rus 2000 V	Rus 2000
Projected P/E Ratio (FY2)	13.9x	14.7x	16.0x
Price / Cash Flow Ratio	5.4x	7.4x	9.7x
Price / Book Ratio	1.5x	1.5x	2.2x
Dividend Yield	1.2%	2.1%	1.4%
Market Capitalization (mm)	$2,238	$1,680	$1,855
# of Holdings / 1-Yr Turnover	57 / 55%		

Top and Bottom Five Contributors to Performance

	End Wgt	Ttl Ret.	Contr.
Rent-A-Center Inc.	3.29 %	10.68 %	0.32 %
Con-way Inc.	4.92	6.44	0.30
Sonic Automotive Inc.	3.01	9.69	0.26
Aspen Ins. Hldgs Ltd.	1.70	17.14	0.25
Ruby Tuesday Inc.	0.63	44.38	0.20
PHH Corp.	2.63 %	-5.26 %	-0.14 %
Noranda Aluminum Hldg	0.99	-13.83	-0.16
Horsehead Hldg Corp.	2.18	-8.29	-0.20
First Horizon Nat'l Corp.	4.01	-5.12	-0.22
Comverse Inc.	1.22	-27.37	-0.31

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Trading Data

*New buy/final sell

Major Buy(Sell)	+/-
Brink's Co.	0.5% *
Comverse Inc.	0.5%
(Alliant Techsystems Inc.)	-0.5% *
(Big Lots Inc.)	-0.9%

Top Ten Stocks - Total Portfolio

	End Wgt
Con-Way Inc.	4.9 %
Masonite Int'l Corp.	4.8
Kaiser Aluminum Corp.	4.0
First Horizon Nat'l Corp.	4.0
Horace Mann Educators Corp.	3.5
Wellcare Health Plans Inc.	3.4
Geo Group Inc.	3.3
Rent-A-Center Inc.	3.3
Meritor Inc.	3.1
Sonic Automotive Inc.	3.0

Performance Attribution

	Portfolio		Russell 2000 Value		Allocation		
	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.	Sector	Stock	Total
Consumer Discretionary	12.02 %	7.00 %	10.02 %	-2.03 %	-0.02	1.07	1.05
Financials	28.33	1.30	39.85	-1.83	0.10	0.89	1.00
Health Care	9.58	4.61	4.67	-2.89	-0.09	0.71	0.62
Industrials	28.30	1.21	13.22	-0.23	0.11	0.42	0.53
Telecommunication Services	0.00	0.00	0.51	-3.67	0.01	0.00	0.01
Consumer Staples	0.00	0.00	2.51	1.04	-0.05	0.00	-0.05
Utilities	4.55	2.60	6.32	2.66	-0.06	0.00	-0.07
Information Technology	8.48	-5.08	10.47	-2.04	0.02	-0.25	-0.23
Materials	7.67	-5.22	4.65	-1.15	-0.01	-0.31	-0.32
Energy	1.08	-4.95	7.77	3.22	-0.28	-0.09	-0.37
					-0.26	2.44	2.17

Top Ten Industries - Total Portfolio

	End Wgt
Insurance	12.0 %
Banks	8.7
Metals & Mining	7.2
Health Care Prov. & Srvcs	7.0
Specialty Retail	6.3
Machinery	5.6
Road & Rail	4.9
Building Products	4.8
Real Estate Inv. Trusts	4.1
Semicond/Semicond Equip.	3.3

Returns are calculated using daily holding information, gross of fees, within Bloomberg. Returns calculated using this buy-and-hold methodology can differ from actual portfolio returns due to intraday trades, cash flows, accrued/miscellaneous income, corporate actions, and trade price and closing price difference of any given security. Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and Standard and Poor's.

performance review

april 2014

PERFORMANCE (%)

	ACCOUNT(GROSS)	BENCHMARK
Apr 14	1.36	1.20
YTD	4.46	4.17
1 Year Trailing	1.69	0.84
3 Year Trailing	6.96	5.88
5 Year Trailing	10.94	8.72
1/31/97 - 4/30/14 Annualized	7.15	6.47

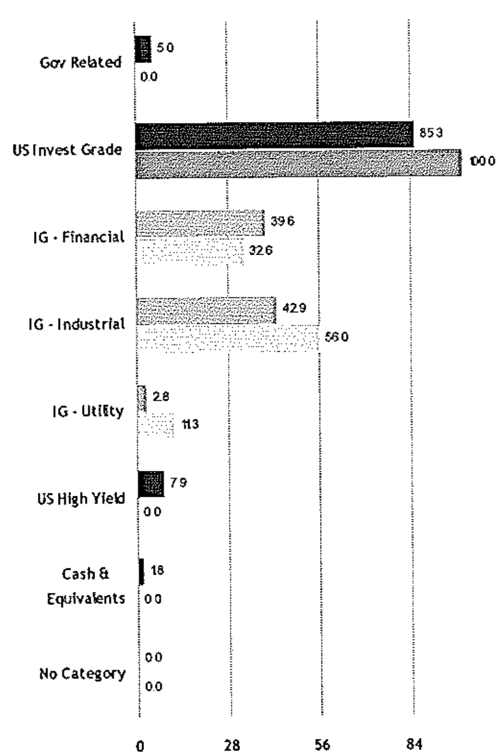
MARKET VALUE

$34,624,206

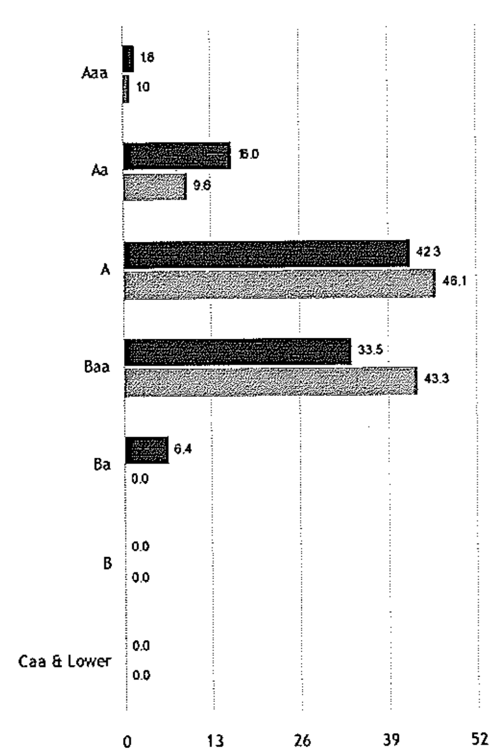
CHARACTERISTICS

Effective Duration	7.23 years	7.03 years
Average Maturity	10.58 years	10.28 years
Yield	3.33%	2.99%
Average Quality	Baa1	Baa1

SECTOR ANALYSIS AT APRIL 30, 2014 (%)



QUALITY ANALYSIS AT APRIL 30, 2014 (%)



The current benchmark is Barclays U.S. Corporate Investment Grade. (1) Citigroup Broad Inv-Grade (BIG) from 1/31/1997 to 6/30/1999; Barclays Credit from 6/30/1999 to 2/29/2012; and Barclays U.S. Corporate Investment Grade from 2/29/2012 to 4/30/2014. For split rated securities in the quality distribution, the higher of Moody and S&P is used. The account's split rating treatment is based on client guidelines. The benchmark follows the vendor's methodology. Equity securities are deemed to have a duration and maturity value of zero. Yield is Yield to Effective Maturity Data Source: Barclays Capital, Bloomberg This report is a service provided to customers of Loomis Sayles for informational purposes and is not a recommendation to purchase or sell securities. Unless otherwise noted, the performance shown is gross of management fees. Past performance is not a guarantee of future results. Loomis Sayles believes the information contained in this report is reliable but we do not guarantee its accuracy.

performance review

april 2014

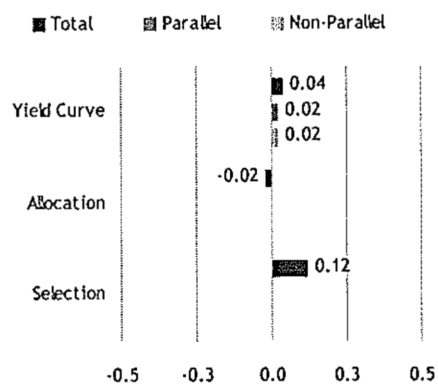
CURRENT MONTH TOTAL RETURNS (%)

Account Return	1.36
Benchmark Return	1.20
Excess Return	0.16

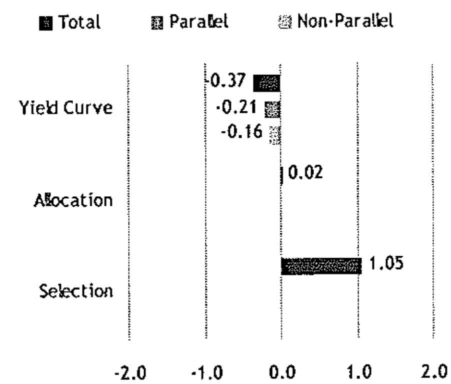
TRAILING YEAR TOTAL RETURNS (%)

Account Return	1.69
Benchmark Return	0.84
Excess Return	0.84

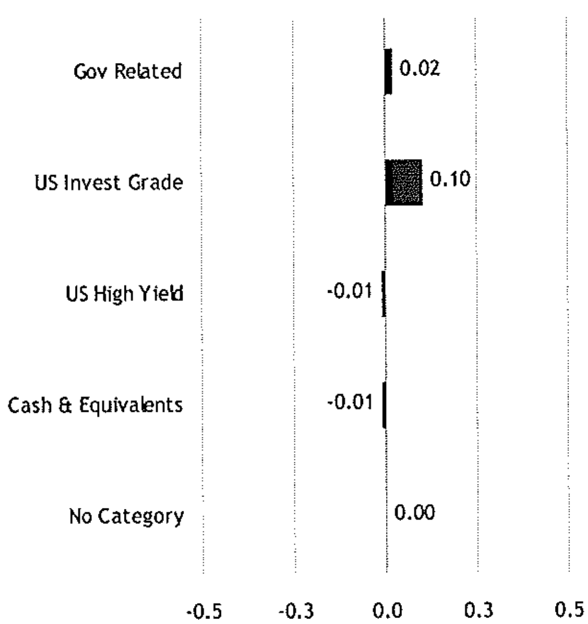
CURRENT MONTH EXCESS RETURN ATTRIBUTION (%)



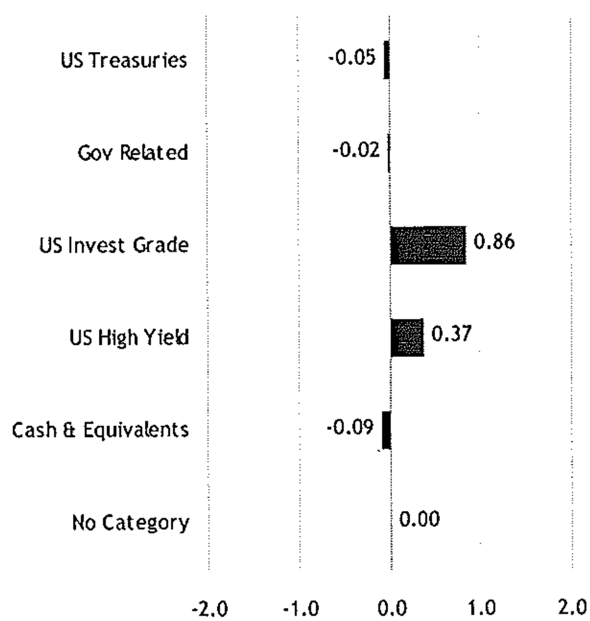
TRAILING YEAR EXCESS RETURN ATTRIBUTION (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



The Attribution benchmark is Barclays U.S. Corporate Investment Grade. Figures on bar charts may not add up to total excess return as they exclude impact of trading and pricing differences. Attribution account returns are gross of fees Excess Return by sector excludes yield curve impact. Data Source: Barclays Capital

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Monthly Report

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April 30, 2014

MACKAY SHIELDS

APRIL 2014
OVERVIEW OF MONTHLY PERFORMANCE

MACKAY SHIELDS

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MARKET OVERVIEW

The U.S. convertible market, as measured by the BofA Merrill Lynch All Convertible Index, declined 0.08% in April 2014, while underlying equities fell 0.95%. During the month, investment-grade convertibles, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, increased 1.57%, while speculative-grade convertibles rose 1.17%.

Convertible securities were mixed during the month as several speculative sectors of the market, such as biotechnology and alternative energy sold off and investors rotated into more defensive sectors such as energy, utilities, and pharmaceuticals. First quarter earnings reports drove the performance of many securities during the month, but the broader theme was a decreased appetite for risk as investors exited once high-flying securities and sought shelter in defensive equities and bonds.

We believe that equity markets will be higher in the coming twelve to eighteen months as economic growth in the U.S. continues at a slow pace, while Europe's stagnant economies begin to expand. The Federal Reserve is likely to continue a monetary policy of low interest rates, which should foster a healthy climate for stocks and equity-linked securities such as convertibles. Despite the recent Russian involvement in Ukraine, energy prices remain relatively subdued, which should provide a slight tailwind for economic activity. Significant growth in U.S. crude oil production and large supplies of natural gas have kept energy prices contained, providing some increased spending power for consumers and lower costs for businesses.

We continue to believe that equities, and equity-linked securities such as convertibles, are attractively valued, particularly when compared to the yields on pure fixed income securities (most specifically U.S. Treasury and investment-grade bonds). We maintain that in a slow growth environment, at current valuations, convertible bonds and stocks are attractive and should continue to perform well.

Sector results were mixed during the month, with Energy, Utilities, Telecom, Consumer Discretionary, and Financials outperforming the broad market. The Healthcare, Technology, Industrials, Materials and Consumer Staples sectors each declined over the period.

Issuance was lighter in April than in prior months, as a total of 4 new convertibles came to the U.S. market, raising approximately $1.7 billion. Issuance was well diversified among sectors. The average convertible new issue offering was $825 million in size. As previously noted, we expect new issuance from investment grade companies to remain depressed until yields on the ten-year Treasury exceed 3.5%.

PERFORMANCE

The convertibles of Gilead Sciences, Schlumberger and Alza (Johnson & Johnson) were among the top contributors during the first quarter. Gilead Science's convertible and equity securities had a roller coaster month, as the securities fell during the first two weeks of April in sympathy with the biotechnology sector, but rose sharply following the company's earnings announcement near month-end. Earnings were well ahead of expectations and sales of the company's novel treatment for Hepatitis C were nearly double analyst estimates. The synthetic convertible bonds of Schlumberger Limited rose after the company reported first quarter earnings which were slightly ahead of estimates. Additionally, the company's outlook for the balance of 2014 was slightly better than expectations as management indicated that demand for pressure pumping in North America continues to improve. Similarly, Johnson & Johnson's convertible bonds rose in April after the company reported decent first quarter earnings, and investors bid up the stocks of companies such as Johnson & Johnson, which are seen as relatively defensive.

Conversely, exposure to the convertible bonds of Xilinx, Danaher and Teva Pharmaceuticals, weighed on performance during the quarter. Semiconductor company, Xilinx, declined in April after the company's earnings release disappointed investors. While revenue and earnings were slightly better than expected, the company's guidance for the second quarter was disappointing. Industrial manufacturer, Danaher Corp., fell slightly in April. The company reported decent first quarter earnings, but also announced that long-time CEO, Larry Culp, will be retiring at the end of the year. Although, Mr. Culp has been the company's CEO for fourteen years, few expected him to retire since he is only 51. Mr. Culp's successor is also a longtime Danaher executive. Last, Teva Pharmaceuticals' convertible bonds declined in April on no meaningful news. The stock was up sharply during the first quarter of the year as the company won a court decision that is likely to delay generic competition for its largest product, a therapy to treat multiple sclerosis. In addition, Teva received approval for an improved version of this drug and will try to convert users of the current formulation to the improved version, so that when generic competition for the older version eventually arrives, patients will be less likely to switch back to the older formulation. The older formulation requires daily injections, versus only three times per week for the newer version. We view Teva's April decline as simple profit-taking.

OUTLOOK

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2013 was an outstanding year for the convertible market, and despite the small retreat in April, 2014 is off to a decent start. Apart from the extraordinary market returns, the past year marked the resurrection of a vibrant market for new convertible issuance, which has continued through the first four months of this year. Last year's returns were also testimony to the notion that convertible bonds will outperform in a rising rate environment and, unlike nearly all other classes of fixed income instruments, have almost no correlation to the movement in interest rates. Regarding issuance, 2013 saw over 130 news issues totaling approximately $44.4 billion come to the market. This compares to 68 new issues totaling $21.5 billion which came to the market in 2012. This surge in new issuance was largely due to the simultaneous rise in stock prices and interest rates. With the rise in rates, issuing companies could once again realize a significant interest savings by issuing a convertible bond instead of a non-convertible high-yield security. For most investment grade companies, however, rates remain so low in absolute terms that the benefits of a convertible offering remain relatively muted. As such, the preponderance of new issuance in 2013 was from non-investment grade companies. In addition, following the stock market decline of 2008, companies were reluctant to issue equity-linked securities as they believed that doing so would dilute existing equity holders at prices that they believed under-valued their companies. However, with stocks at record levels, companies are no longer reluctant to issue a security linked to their equity.

We believe that this trend will continue and perhaps accelerate in 2014. If interest rates continue to rise from record low levels, and stocks hold onto gains, we believe that 2014's new convertible issuance is likely to exceed 2013's level. We do not expect the investment gains of 2013 to be repeated but, with decent corporate earnings, stocks and convertible bonds are likely to see further advances.

We remain convinced that convertible bonds and equities are undervalued in the current slow growth environment. Given the slowly improving macro economy, and the relatively low rates of interest and inflation, stocks appear inexpensive based on various measures such as price to earnings, price to cash flow or price to free cash flow. As such, we expect convertible bond and stock prices to be higher in the coming twelve to eighteen months.

Convertible bonds remain an excellent vehicle through which to participate in further equity advances. At current valuations, convertible bonds should participate in the majority of the stock market's advances, but less than half of any decline in the event that our outlook for equities is wrong.

Portfolio Composition and Performance — Account 1256

April 30, 2014

Composition	Market Value	Percent of Total
Fixed Income	11,932,558	66.45
Equity	2,234,728	12.44
Cash & Equivalents	3,791,260	21.11
Total Portfolio	**$17,958,546**	**100.00%**

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Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	0.22%	3.69%	3.57%	15.05%	7.06%	11.00%	97.19%	6.62%
Merrill Lynch Convertible Inv Grade	1.56%	4.56%	5.41%	20.84%	9.74%	12.01%	108.39%	7.18%
ML Convt Inv Grade BDS (Inc Mandatory)	1.57%	4.79%	5.73%	17.99%	9.54%	12.92%	70.96%	5.19%

Expressed in USD

Past performance is not indicative of future results.

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY SHIELDS

Summary Report — Account 1256
April 30, 2014

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	9,733,348	85.26	1.59	11,887,553	66.19	1.30	154,452
Stocks	1,683,380	14.74	3.35	2,220,078	12.36	2.54	56,337
Cash & Equivalents	0	0.00		3,791,260	21.11	0.09	3,412
Accrued Income				59,654	0.33		
Total Portfolio	$11,416,728	100.00%	1.85	$17,958,546	100.00%	1.20	$214,201

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Schroder Capital Management Collective Trust
C/O US Bancorp Fund Services, LLC
PO Box 701
Milwaukee, WI 53201-0701

BAY COUNTY EMPLOYEES' RETIREMENT SY
ATTN JANIE TRACEY
515 CENTER AVE
BAY CITY MI 48708-5941

Account Statement

for the period of: April 1, 2014 - April 30, 2014

If you have any questions or comments regarding this statement, please contact your Client Service team at Schroders, New York at clientserviceny@us.schroders.com.

Positions Held

	Fund Number	Account Number	Total Shares	Share Price	Fund Value	% of Holdings
SCHRODER INTERNATIONAL SMALL CO'S FUND	3179	50306	1,901.702	$10,034.0401	$19,081,754.13	100.00%
TOTAL VALUE					$19,081,754.13	100.00%

Account Year-to-Date Summary

	Fund Number	Account Number	Investments	Redemptions	Dividends	Capital Gains
SCHRODER INTERNATIONAL SMALL CO'S FUND	3179	50306	$0.00	$0.00	$0.00	$0.00
TOTAL VALUE			$0.00	$0.00	$0.00	$0.00

Transaction Detail

Trade Date	Transaction	Dollar Amount	Price	Shares	Total Shares
SCHRODER INTERNATIONAL SMALL CO'S FUND	FUND/ACCOUNT NUMBER: 3179-50306				
	BALANCE FORWARD				1,901.702
	ENDING BALANCE	$19,081,754.13	$10,034.0401		1,901.702

ConvergEx Group
Execution Solutions

Recapture Services

Bay County Employees Retirement System
Plan Trading Summary (US Dollars)
January 01, 2014 - April 30, 2014

Ref#: 23803

Manager		Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity					
Columbia Management Advisors, LLC		0.00	0.00	900.00	630.00
Eagle Asset Management		44.82	31.37	97.78	68.45
Geneva Capital Management Ltd		42.48	29.74	2,067.48	1,447.24
Hotchkis & Wiley		0.00	0.00	0.00	0.00
MFS Investment Management Co.		0.00	0.00	0.00	0.00
Totals for Equity		**87.30**	**61.11**	**3,065.26**	**2,145.68**
Revenue Type: Correspondent Equity					
Baring Asset Management Ltd.		0.00	0.00	19.28	13.50
Baring Asset Management Ltd.	Corrsp Broker	0.00	0.00	14.25	0.00
Integrity Asset Management		0.00	0.00	1,109.31	776.52
Integrity Asset Management	Corrsp Broker	0.00	0.00	409.77	0.00
Totals for Correspondent Equity		**0.00**	**0.00**	**1,552.61**	**790.02**
Revenue Type: International Correspondent					
Baring Asset Management Ltd.		316.49	237.37	1,336.16	1,002.12
Baring Asset Management Ltd.	Corrsp Broker	259.19	0.00	1,542.09	0.00
Schroder Investment Management Ltd		0.00	0.00	0.00	0.00
Totals for International Correspondent		**575.67**	**237.37**	**2,878.25**	**1,002.12**
Grand Totals		**662.97**	**298.48**	**7,496.12**	**3,937.82**

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ConvergEx Group
Execution Solutions

Recapture Services

Bay County Employees Retirement System

Plan Activity Summary and Balance

January 01, 2014 - April 30, 2014

Ref#: 23803

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Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	87.30	61.11	3,065.26	2,145.68
Correspondent Equity	0.00	0.00	1,128.59	790.02
Correspondent Broker Fees	0.00	0.00	424.02	0.00
International Correspondent	316.49	237.37	1,336.16	1,002.12
Correspondent Broker Fees	259.19	0.00	1,542.09	0.00
Fixed Income	0.00	0.00	0.00	0.00
12B-1 fees	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
TOTAL	**662.97**	**298.48**	**7,496.12**	**3,937.82**

Account Balance

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			1,830.63
January 2014	2,012.80	1,121.77	0.00	1,830.63	1,121.76
February 2014	3,220.83	1,731.84	0.00	0.00	2,853.60
March 2014	1,599.52	785.73	0.00	0.00	3,639.34
April 2014	662.97	298.48	0.00	3,639.34	298.47
May 2014	0.00	0.00			
June 2014	0.00	0.00			
July 2014	0.00	0.00			
August 2014	0.00	0.00			
September 2014	0.00	0.00			
October 2014	0.00	0.00			
November 2014	0.00	0.00			
December 2014	0.00	0.00			
TOTAL	**7,496.12**	**3,937.82**	**0.00**	**5,469.97**	
				Current Balance	**298.47**

Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com
Commission Recapture Client Services : 800-992-7526, crpclientservices@convergex.com

This statement represents trades through Posted Date April 30, 2014 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

REFUNDS: FOR THE MONTH ENDED: May 31, 2014

EMPLOYEE/BENEFICIARY	CONTRIBUTIONS	PROCESSED	DEPARTMENT	TERMINATION
SCHLITT, JENNESA	149.34	5/13/14	BABH	2/5/14
CRANSTON, DIANE	4,479.63	4/25/14	BABH	1/31/14
DELAROSA, JAMES	28,475.95	4/28/14	BABH	5/21/13

TOTAL REFUNDS: 33,104.92

NEW RETIREE		CONTRIBUTIONS TRANSFERRED	RETIREMENT GROUP/ COUNTY DEPT	EFFECTIVE DATE
MEIR, JACQUELYNE G	$	22,029.68	BABH- Deferred	5/3/2014

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE OF DEATH	DIVISION/ DEPARTMENT
TOBER, LINDA L	TOBER, THEODORE	10 YR CERTAIN	5/8/2014	GENERAL

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
SMITH, BRIANNA	114.11	BMCF	2/6/2014
ANDROL, HOLLY	724.64	BMCF	2/24/2014
LECLAIR, DAIDRA	34.97	BMCF	4/16/2014
KOWALSKI, ALISSA	64.32	BMCF	4/9/2014
CUEVAS, TARA	86.17	BMCF	4/10/2014
HINE, BRENDA	51.30	BMCF	4/20/2014
ARTHUR, DANIELLE	406.81	BMCF	4/14/2014
MATHEWS, GAIL	459.26	BMCF	4/16/2014
STOVALL, CHELSEY	124.80	BMCF	4/8/2014
	1,952.27		

FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
7310 RETIREMENT SYSTEM FUND							
73127400 RETIREMENT BOARD							
RA FUND BALANCE, NET AS							
73127400 40001 FUND BALANCE	0	0	.00	.00	.00	.00	.0%
73127400 40003 FUND BALANCE-RESRVS	16,176	16,176	.00	.00	.00	16,176.00	.0%
73127400 40004 NET ASSETS - RESERV	3,763,344	3,763,344	.00	.00	.00	3,763,344.00	.0%
TOTAL FUND BALANCE, NET AS	3,779,520	3,779,520	.00	.00	.00	3,779,520.00	.0%
RJ LOCAL UNIT CONTRIBUT							
73127400 59401 ER CONTR-BEHAVE.HEA	-1,300,000	-1,300,000	.00	.00	.00	-1,300,000.00	.0%*
73127400 59402 ER CONTR-MOSQUITO C	-13,000	-13,000	-4,924.83	-1,098.63	.00	-8,075.17	37.9%*
73127400 59403 ER CONTR-HEALTH FUN	-57,000	-57,000	-21,007.39	-4,368.51	.00	-35,992.61	36.9%*
73127400 59404 ER CONTR-ROAD COMMI	-520,000	-520,000	.00	.00	.00	-520,000.00	.0%*
73127400 59406 ER CONTR-LIBRARY	-130,000	-130,000	.00	.00	.00	-130,000.00	.0%*
73127400 59407 ER CONTR-GOLF COURS	-6,000	-6,000	-1,437.61	211.15	.00	-4,562.39	24.0%*
73127400 59408 ER CONTR-GENERAL FU	-375,000	-375,000	-140,476.07	-26,948.86	.00	-234,523.93	37.5%*
73127400 59409 ER CONTR-DWS	-250,000	-250,000	.00	.00	.00	-250,000.00	.0%*
73127400 59410 ER CONTR-911 SERVIC	-45,000	-45,000	-16,017.49	-3,093.14	.00	-28,982.51	35.6%*
73127400 59411 ER CONTR-CHILD CARE	-40,000	-40,000	-14,982.69	-2,985.93	.00	-25,017.31	37.5%*
73127400 59412 ER CONTR-DIV ON AGI	-43,000	-43,000	-15,734.20	-3,247.33	.00	-27,265.80	36.6%*
73127400 59413 ER CONTR-RETIRE SYS	-1,800	-1,800	-800.20	-190.30	.00	-999.80	44.5%
73127400 59414 ER CONTR-HOMELAND S	-3,500	-3,500	.00	.00	.00	-3,500.00	.0%*
73127400 59415 ER CONTR-GYPSY MOTH	-2,000	-2,000	-723.24	-146.88	.00	-1,276.76	36.2%*
73127400 59416 ER CONTR-HOME REHAB	-180	-180	-50.34	-14.89	.00	-129.66	28.0%*
73127400 59418 ER CONTR-100% TAX P	-3,200	-3,200	-1,193.35	-240.75	.00	-2,006.65	37.3%*
73127400 59419 ER CONTR-MED CARE F	-700,000	-700,000	.00	.00	.00	-700,000.00	.0%*
73127400 59424 ER CONTR-SELF INSUR	-500	-500	-133.44	-26.06	.00	-366.56	26.7%*
73127400 59427 ER CONTR-COMM.CORRE	-3,100	-3,100	-608.49	-114.68	.00	-2,491.51	19.6%*
73127400 59429 ER CONTR-F.O.C. FUN	-2,100	-2,100	-924.13	-186.44	.00	-1,175.87	44.0%
73127400 59430 ER CONTR-HOUSING FU	-6,800	-6,800	-2,023.38	-413.30	.00	-4,776.62	29.8%*
73127400 59434 ER CONTR-LOCAL CFO	0	0	.00	.00	.00	.00	.0%
73127400 59499 ER CONTR-SHERIFF DE	0	0	-8,682.50	-1,461.04	.00	8,682.50	100.0%
73127400 59501 EE CONTR-BEHAVE.HEA	-580,000	-580,000	.00	.00	.00	-580,000.00	.0%*

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FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 59502 EE CONTR-MOSQUITO C	-12,500	-12,500	-4,924.83	-1,098.63	.00	-7,575.17	39.4%*
73127400 59503 EE CONTR-HEALTH FUN	-60,000	-60,000	-21,007.39	-4,368.51	.00	-38,992.61	35.0%*
73127400 59504 EE CONTR-ROAD COMMI	-130,000	-130,000	.00	.00	.00	-130,000.00	.0%*
73127400 59506 EE CONTR-LIBRARY	-75,000	-75,000	.00	.00	.00	-75,000.00	.0%*
73127400 59507 EE CONTR-GOLF COURS	-4,800	-4,800	-1,437.62	211.14	.00	-3,362.38	30.0%*
73127400 59508 EE CONTR-GENERAL FU	-500,000	-500,000	-144,063.47	-27,596.27	.00	-355,936.53	28.8%*
73127400 59509 EE CONTR-DWS	-85,000	-85,000	.00	.00	.00	-85,000.00	.0%*
73127400 59510 EE CONTR-911 SERVIC	-62,000	-62,000	-23,665.09	-4,389.83	.00	-38,334.91	38.2%*
73127400 59511 EE CONTR-CHILD CARE	-40,000	-40,000	-14,982.69	-2,985.93	.00	-25,017.31	37.5%*
73127400 59512 EE CONTR-DIV ON AGI	-43,000	-43,000	-15,734.20	-3,247.33	.00	-27,265.80	36.6%*
73127400 59513 EE CONTR-RETIRE SYS	-1,800	-1,800	-800.20	-190.30	.00	-999.80	44.5%
73127400 59514 EE CONTR-HOMELAND S	0	0	.00	.00	.00	.00	.0%
73127400 59515 EE CONTR-GYPSY MOTH	-1,900	-1,900	-723.24	-146.88	.00	-1,176.76	38.1%*
73127400 59516 EE CONTR-HOME REHAB	-180	-180	-50.34	-14.89	.00	-129.66	28.0%*
73127400 59518 EE CONTR-100% TAX P	-3,000	-3,000	-1,193.35	-240.75	.00	-1,806.65	39.8%*
73127400 59519 EE CONTR-MED CARE F	-380,000	-380,000	.00	.00	.00	-380,000.00	.0%*
73127400 59524 EE CONTR-SELF INSUR	-400	-400	-133.45	-26.06	.00	-266.55	33.4%*
73127400 59527 EE CONTR-COMM.CORRE	-3,100	-3,100	-608.49	-114.68	.00	-2,491.51	19.6%*
73127400 59529 EE CONTR-F.O.C. FUN	-2,100	-2,100	-924.13	-186.44	.00	-1,175.87	44.0%
73127400 59530 EE CONTR-HOUSING FU	-6,800	-6,800	-2,023.39	-413.30	.00	-4,776.61	29.8%*
73127400 59534 EE CONTR.LOCAL CFO	0	0	.00	.00	.00	.00	.0%
73127400 59599 EE CONTR-SHERIFF DE	-245,000	-245,000	-91,824.39	-15,507.45	.00	-153,175.61	37.5%*
TOTAL LOCAL UNIT CONTRIBUT	-5,738,760	-5,738,760	-553,815.62	-104,641.70	.00	-5,184,944.38	9.7%

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RP INTEREST & RENTALS

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 66400 INVESTMENT INTEREST	-5,000,000	-5,000,000	.00	.00	.00	-5,000,000.00	.0%*
73127400 66500 GAIN ON SALE OF INV	-15,000,000	-15,000,000	.00	.00	.00	-15,000,000.00	.0%*
73127400 66501 UNREALIZED GAIN ON	-3,000,000	-3,000,000	.00	.00	.00	-3,000,000.00	.0%*
73127400 66502 GAIN ON FOREIGN CUR	-40,000	-40,000	.00	.00	.00	-40,000.00	.0%*
73127400 66600 SECURITIES LENDING	-300,000	-300,000	.00	.00	.00	-300,000.00	.0%*
TOTAL INTEREST & RENTALS	-23,340,000	-23,340,000	.00	.00	.00	-23,340,000.00	.0%

RR OTHER REVENUE

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 67104 MISCELLANOUS REVENU	0	0	.00	.00	.00	.00	.0%
73127400 67600 REIMBURSEMENTS	0	0	.00	.00	.00	.00	.0%
73127400 67601 REIMBURSEMENT - IND	0	0	.00	.00	.00	.00	.0%

FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 68900 TRADE-IN ALLOWANCE	0	0	.00	.00	.00	.00	.0%
73127400 69000 COMMISSION RECAPTUR	-25,000	-25,000	.00	.00	.00	-25,000.00	.0%*
73127400 69200 CLAIMS/SETTLEMENTS/	-150,000	-150,000	.00	.00	.00	-150,000.00	.0%*
TOTAL OTHER REVENUE	-175,000	-175,000	.00	.00	.00	-175,000.00	.0%
XE WAGES & SALARIES							
73127400 70300 SALARIES-ELECTED OR	57,460	57,460	16,735.53	3,756.80	.00	40,724.47	29.1%
73127400 70500 TEMPORARY HELP	12,740	12,740	7,168.96	928.80	.00	5,571.04	56.3%*
73127400 70501 PART TIME WAGES	7,349	7,349	3,820.92	1,437.40	.00	3,528.08	52.0%*
73127400 70600 OVERTIME	2,809	2,809	363.94	340.46	.00	2,445.06	13.0%
73127400 70800 HOLIDAY PAY	0	0	665.82	.00	.00	-665.82	100.0%*
73127400 71000 PER DIEM	3,420	3,420	675.00	.00	.00	2,745.00	19.7%
73127400 71200 VACATION PAY	0	0	563.52	.00	.00	-563.52	100.0%*
73127400 71202 SICK PAY	0	0	.00	.00	.00	.00	.0%
73127400 71203 TERMINATION SICK PA	0	0	.00	.00	.00	.00	.0%
73127400 71204 TERMINATION VACTION	0	0	.00	.00	.00	.00	.0%
TOTAL WAGES & SALARIES	83,778	83,778	29,993.69	6,463.46	.00	53,784.31	35.8%
XF FRINGES							
73127400 71500 SOCIAL SECURITY	4,740	4,740	2,168.44	475.85	.00	2,571.56	45.7%*
73127400 71600 HEALTH INSURANCE	17,592	17,592	4,668.80	1,167.20	.00	12,923.20	26.5%
73127400 71603 RETIREE HEALTH CARE	0	0	.00	.00	.00	.00	.0%
73127400 71632 EMPLOYEE INCENTIVE	219	219	.00	.00	.00	219.00	.0%
73127400 71700 LIFE INSURANCE	131	131	32.40	7.20	.00	98.60	24.7%
73127400 71800 RETIREMENT	4,598	4,598	1,600.40	380.60	.00	2,997.60	34.8%
73127400 71900 OTHER FRINGE BENEFI	652	652	.00	.00	.00	652.00	.0%
73127400 72001 SIF ADMINISTRATION	111	111	49.81	10.98	.00	61.19	44.9%*
73127400 72100 WORKERS' COMPENSATI	163	163	73.32	16.16	.00	89.68	45.0%*
73127400 72200 SICK AND ACCIDENT I	391	391	123.92	27.86	.00	267.08	31.7%
73127400 72500 UNEMPLOYMENT COMPEN	358	358	161.24	35.56	.00	196.76	45.0%*
TOTAL FRINGES	28,955	28,955	8,878.33	2,121.41	.00	20,076.67	30.7%
XI SUPPLIES							
73127400 72700 OFFICE SUPPLIES	2,000	2,000	427.32	234.05	.00	1,572.68	21.4%

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FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 72702 BOOK SUPPLIES	0	0	.00	.00	.00	.00	.0%
73127400 72800 PRINTING AND BINDIN	1,000	1,000	156.11	.00	.00	843.89	15.6%
73127400 72900 POSTAGE	300	300	143.29	.00	.00	156.71	47.8%*
73127400 73000 MAGAZINES AND PERIO	600	600	.00	.00	.00	600.00	.0%
73127400 73301 COPIER / FAX SUPPLI	500	500	.00	.00	.00	500.00	.0%
73127400 74200 FOOD SUPPLIES	150	150	21.75	.00	.00	128.25	14.5%
73127400 74700 PHOTO & MICROFILM/F	0	0	.00	.00	.00	.00	.0%
73127400 75100 COMPUTER SUPPLIES	1,500	1,500	.00	.00	.00	1,500.00	.0%
TOTAL SUPPLIES	6,050	6,050	748.47	234.05	.00	5,301.53	12.4%

XL OTHER SERVICES AND C

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 80100 PROFESSIONAL SERVIC	1,500,000	1,500,000	402,865.48	54,813.97	.00	1,097,134.52	26.9%
73127400 80101 ACTUARIAL SERVICES	40,000	40,000	14,175.00	.00	.00	25,825.00	35.4%
73127400 80200 CONTRACTUAL SERVICE	0	0	.00	.00	.00	.00	.0%
73127400 81200 MEDICAL SERVICES	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 81400 INVESTMENT/BANK SER	230,000	230,000	-63,921.65	.00	.00	293,921.65	27.8%
73127400 81700 LEGAL FEES	7,500	7,500	.00	.00	.00	7,500.00	.0%
73127400 81900 CONSULTANTS	125,000	125,000	35,000.00	.00	.00	90,000.00	28.0%
73127400 82000 MEMBERSHIPS AND DUE	550	550	125.00	.00	.00	425.00	22.7%
73127400 82900 FILING FEES	250	250	.00	.00	.00	250.00	.0%
73127400 83500 HEALTH SERVICES	0	0	.00	.00	.00	.00	.0%
73127400 85200 TELEPHONE	420	420	54.15	9.27	.00	365.85	12.9%
73127400 86100 CONFERENCE FEES & E	15,000	15,000	4,892.19	1,830.24	.00	10,107.81	32.6%
73127400 86500 STATE TRAVEL MILEAG	2,000	2,000	118.71	.00	156.80	1,724.49	13.8%
73127400 86600 LOCAL TRAVEL MILEAG	300	300	41.05	.00	.00	258.95	13.7%
73127400 87500 PENSION PAYMENTS	13,000,000	13,000,000	.00	.00	.00	13,000,000.00	.0%
73127400 90000 PRINTING/PUBLISHING	500	500	.00	.00	.00	500.00	.0%
73127400 90100 LEGAL NOTICES	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 93100 EQUIPMENT REPAIR &	500	500	.00	.00	.00	500.00	.0%
73127400 93700 HARD/SOFTWARE REPAI	0	0	1,200.00	.00	.00	-1,200.00	100.0%*
73127400 94601 EQUIPMENT RENTAL-CO	5,000	5,000	225.17	.00	.00	4,774.83	4.5%
73127400 95500 MISCELLANEOUS	500	500	25.00	.00	.00	475.00	5.0%
73127400 95600 INDIRECT COST EXPEN	95,437	95,437	39,765.41	15,906.17	.00	55,671.59	41.7%
73127400 96000 EDUCATION AND TRAIN	1,500	1,500	270.00	.00	.00	1,230.00	18.0%
73127400 96200 LOSS ON DISPOSAL OF	10,000,000	10,000,000	.00	.00	.00	10,000,000.00	.0%
73127400 96201 UNREALIZED LOSS ON	0	0	.00	.00	.00	.00	.0%
73127400 96203 LOSS ON FOREIGN CUR	100,000	100,000	.00	.00	.00	100,000.00	.0%
73127400 96401 CONTRIB REFUND-GENE	60,000	60,000	.00	.00	.00	60,000.00	.0%
73127400 96402 CONTRIB REFUND-SHER	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96403 CONTRIB REFUND-ROAD	5,000	5,000	.00	.00	.00	5,000.00	.0%

FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 96404 CONTRIB REFUND-MED	40,000	40,000	.00	.00	.00	40,000.00	.0%
73127400 96405 CONTRIB REFUND-B.A.	50,000	50,000	.00	.00	.00	50,000.00	.0%
73127400 96406 CONTRIB REFUND-D.W.	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96407 CONTRIB REFUND-LIBR	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96500 INSURANCE AND BONDS	22,000	22,000	.00	.00	.00	22,000.00	.0%
73127400 96730 MACHINERY & EQUIPME	2,000	2,000	.00	.00	.00	2,000.00	.0%
73127400 96740 OFFICE EQUIP.& FURN	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 96741 COMPUTER HARDWARE E	0	0	.00	.00	.00	.00	.0%
73127400 96742 COMPUTER SOFTWARE E	0	0	.00	.00	.00	.00	.0%
73127400 96770 BOOK EXPENSE	0	0	.00	.00	.00	.00	.0%
73127400 96999 BUDGET REDUCTION TA	0	0	.00	.00	.00	.00	.0%
TOTAL OTHER SERVICES AND C	25,321,457	25,321,457	434,835.51	72,559.65	156.80	24,886,464.69	1.7%
XQ CAPITAL OUTLAY							
73127400 98001 COMPUTER SOFTWARE	34,000	34,000	8,000.00	.00	34,000.00	-8,000.00	123.5%*
TOTAL CAPITAL OUTLAY	34,000	34,000	8,000.00	.00	34,000.00	-8,000.00	123.5%
TOTAL RETIREMENT BOARD	0	0	-71,359.62	-23,263.13	34,156.80	37,202.82	100.0%
TOTAL RETIREMENT SYSTEM FUND	0	0	-71,359.62	-23,263.13	34,156.80	37,202.82	100.0%
TOTAL REVENUES	-25,474,240	-25,474,240	-553,815.62	-104,641.70	.00	-24,920,424.38	
TOTAL EXPENSES	25,474,240	25,474,240	482,456.00	81,378.57	34,156.80	24,957,627.20	
GRAND TOTAL	0	0	-71,359.62	-23,263.13	34,156.80	37,202.82	100.0%

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** END OF REPORT - Generated by Kim Priessnitz **

BAY COUNTY DRAIN COMMISSIONER

JOSEPH RIVET
rivetj@baycounty.net

515 CENTER AVENUE, SUITE 601
BAY CITY, MICHIGAN 48708-5127
drainoffice@baycounty.net

PHONE (989) 895-4290
FAX (989) 895-4292
TDD (989) 895-4049
(HEARING IMPAIRED)

March 17, 2014

The Honorable Brandon Krause, Chair
Bay County Personnel Committee
515 Center Avenue
Bay City, MI 48708

Dear Chair Krause:

I write to request the purchase of retirement service credit from two previously held positions. The first held with the State of Michigan, the second, the Charter Township of Bangor. Your consideration of this request to add to my time under the Bay County Employee's Retirement System would be appreciated.

As you are aware, I have held the position of Drain Commissioner with the County since January 1, 2005. All required documents have been submitted to Janie Tacey, Retirement Administrator. Specifically, I am requesting the purchase of credit from 11/1/87 through 12/31/91 as an employee of the State of Michigan and 12/15/94 through 12/31/98 as an employee of the Charter Township of Bangor.

Again, I would appreciate your consideration of my request to purchase eight years and three months of retirement service credit. Please contact me if I can provide additional information of if you have questions.

Sincerely,

Joseph Rivet
Drain Commissioner

C: J. Tacey

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

May 5, 2014

Ms. Anna Marie Lopez
Hotchkis & Wiley Capital Management
725 S. Figueroa St. 39th Floor
Los Angeles, CA 90017

Dear Ms. Lopez:

There is a need for the Bay County Employee's Retirement System to rebalance its asset allocation therefore, I am requesting that Hotchkis & Wiley Capital Management divest themselves of $1,000,000 (one million dollars) and make funds available for The Northern Trust Company on Thursday, May 8, 2014.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

Crystal Hebert

Crystal Hebert
Bay County Finance Officer/Secretary

VIA E-MAIL-ORIGINAL TO BE SENT SURFACE MAIL

cc: Bay County Employees' Retirement System Board of Trustees
Howard Pohl, The Bogdahn Group
Lawrence Fumarolo, The Northern Trust Company
Janie Tacey, Retirement Administrator/Accountant

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
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BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

May 5, 2014

Ms. Andrea Leistra
Integrity Asset Management
480 Pierce Street
Birmingham, MI 48009

Dear Ms. Leistra:

There is a need for the Bay County Employee's Retirement System to rebalance its asset allocation therefore, I am requesting that Integrity Asset Management divest themselves of $2,000,000 (two million dollars) and make funds available for The Northern Trust Company on Thursday, May 8, 2014.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

Crystal Hebert

Crystal Hebert
Bay County Finance Officer/Secretary

VIA E-MAIL-ORIGINAL TO BE SENT SURFACE MAIL

cc: Bay County Employees' Retirement System Board of Trustees
Howard Pohl, The Bogdahn Group
Lawrence Fumarolo, The Northern Trust Company
Janie Tacey, Retirement Administrator/Accountant

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

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Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

June 4, 2014

Ms. Allie Koonin
Schroeder Investment Management North America
875 Third Avenue - 22nd Floor
New York, NY 10022-6225

Re: Brokerage Services

Dear Ms. Koonin:

The purpose of this correspondence is to inform Schroeder Investment Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

June 4, 2014

Ms. Kimberly Hyland
MFS Investment Management
500 Boylston Street, 21st Floor
Boston, MA 02116

Re: Brokerage Services

Dear Ms. Hyland:

The purpose of this correspondence is to inform MFS Investment Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
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Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4039

June 4, 2014

Ms. Andrea E. Leistra
Integrity Asset Management
Munder Capital Management
480 Pierce Street
Birmingham, MI 48009

Re: Brokerage Services

Dear Ms. Leistra:

The purpose of this correspondence is to inform Integrity Asset Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

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If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

June 4, 2014

Mr. Patrick J. McMenamin
Hotchkis & Wiley Capital Management
725 S. Figueroa St. - 39th Floor
Los Angeles, CA 90017

Re: Brokerage Services

Dear Mr. McMenamin:

The purpose of this correspondence is to inform Hotchkis & Wiley Capital Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
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Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4039

June 4, 2014

Ms. Lori Klomstad
Geneva Capital Management Ltd.
100 E. Wisconsin Avenue, Suite 2550
Milwaukee, WI 53202

Re: Brokerage Services

Dear Ms. Klomstad:

The purpose of this correspondence is to inform Geneva Capital Management Ltd. that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

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Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4039

June 4, 2014

Mr. Clay Lindsey
Eagle Asset Management
880 Carillon Parkway
St. Petersburg, FL 33716

Re: Brokerage Services

Dear Mr. Lindsey:

The purpose of this correspondence is to inform Eagle Asset Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

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515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

ADMINISTRATIVE STAFF
Tiffany Jerry
Janie Tacey
(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4039

June 4, 2014

Mr. Alan Puklin
Columbia Management
100 Park Avenue - 7th Floor
New York, NY 10017

Re: Brokerage Services

Dear Mr. Puklin:

The purpose of this correspondence is to inform Columbia Management that the Bay County Employees Retirement System ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").
It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

cc: Board of Trustees
Mr. Howard Pohl
Mr. Peter Brown
CAPIS
Abel/Noser

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
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Thomas L. Hickner
Bay County Executive

Crystal Hebert
Finance Officer/Secretary

(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4039

June 3, 2014

Kimberly Doran, Senior Vice President
ConvergEx Recapture Services
1633 Broadway – 48th Floor
New York, NY 10019

Dear Ms. Doran:

Please accept this letter as the Bay County Employees' Retirement System's formal notice of its intent to terminate its October 20, 2004, Commission Recapture Agreement with ConvergEx (formerly BNY PS). A copy of that Agreement is enclosed for your reference. The last effective date of the Recapture Agreement shall be July 3, 2014.

Thank you for your attention in this matter. Should you have any questions or concerns in relation to the same, please contact me at 989-895-2007 or our investment consultants, Howard Pohl or Peter Brown of The Bogdahn Groupat 866-240-7932.

Sincerely,

Crystal Hebert

Crystal Hebert
Bay County Finance Officer/Secretary

Enclosure

cc:. Board of Trustees
Mr. Howard Pohl, The Bogdahn Group
Mr. Peter Brown, The Bogdahn Group
Tim Quinn, Corporation Counsel
Larry Fumarolo, Northern Trust

VANOVERBEKE
MICHAUD &
TIMMONY, P.C
ATTORNEYS AND COUNSELORS

MICHAEL J. VANOVERBEKE
THOMAS C. MICHAUD
JACK TIMMONY
FRANCIS E. JUDD
AARON L. CASTLE
ROBERT ABB

79 ALFRED STREET
DETROIT, MICHIGAN 48201
TEL: 313-578-1200
FAX: 313-578-1201
WWW.VMTLAW.COM

BAY COUNTY
EMPLOYEES RETIREMENT SYSTEM

TRUSTEE EDUCATION

Presented by:

THOMAS MICHAUD

VanOverbeke, Michaud & Timmony, P.C.

"FIDUCIARY RESPONSIBILITY"

WHO IS A "FIDUCIARY"?

The term "fiduciary" is derived from early Roman law and means "a person having the character of a trustee; one who has a duty to act for another's benefit". Those who have discretionary authority in connection with the administration of employee benefit plans (i.e., trustees) are "fiduciaries" and are charged with certain responsibilities.

WHAT LAWS ESTABLISH FIDUCIARY RESPONSIBILITIES?

The law encompassing fiduciary responsibility is a complex network of federal and state statutes and case law, all of which define and delineate the parameters and rules within which a trustee must operate.

Trustees of public employee benefit plans in the State of Michigan must comply with the fiduciary duties as provided by Public Act 314 of 1965, as amended ("Act 314"). Section 1c(1) of Act 314 defines "investment fiduciary" as a person who does any of the following:

(1) exercises any discretionary authority or control in the investment of a plan's assets.

(2) renders investment advice for a fee or other direct or indirect compensation.

Section 13 of Act 314 establishes "fiduciary responsibilities" in pertinent part as follows:

(1) An investment fiduciary shall discharge his or her duties solely in the interest of the participants and beneficiaries and shall do all of the following-

(a) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

(b) Act with due regard for the management, reputation, and stability of the issuer . . .

(c) Make investments for the exclusive purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system.

(d) Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved . . . and consideration of the following factors as they relate to the investment or investment course of action:

(i) The diversification of the investments of the system.

(ii) The liquidity and current return of the investments of the system relative to the anticipated cash flow requirements of the system.

(iii) The projected return of the investments of the system relative to the funding objectives of the system.

(e) Give appropriate consideration to investments that would enhance the general welfare of this state and its citizens if those investments offer the safety and rate of return comparable to other investments permitted under this act and available to the investment fiduciary at the time the investment decision is made.

(f) Prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the system's investments.

(g) Monitor the investment of the system's assets with regard to the limitations on those investments pursuant to this act. Upon discovery that an investment causes the system to exceed a limitation prescribed in this act, the investment fiduciary shall reallocate assets in a prudent manner in order to comply with the prescribed limitation.

Accordingly, a trustee has a duty to properly administer the provisions of the Plan and invest the funds of the Trust in accordance with Public Act 314 of 1965, as amended.

FIDUCIARY STANDARDS

It is important to note that fiduciary duties are measured on an objective standard. As one court put it, "*it is not sufficient that a trustee has a pure heart and an empty head*". Accordingly, a trustee should be aware of the following:

(1) Duty of Loyalty;

(2) Care, Skill and Diligence;

(3) Prudence;

(4) Diversity;

(5) Prohibited Transactions;

(6) Plan Compliance.

PLAN COMPLIANCE

UNDERSTANDING PLAN PROVISIONS

(1) State Constitution

(2) Statute/Charter/Ordinance

(3) Plan Documents/Summary Plan Descriptions

(4) Collective Bargaining Provisions

(5) Past Practice/Establishing Precedent

(6) Policies, Procedures, Minutes

(7) Qualified Plan - Internal Revenue Code

PLAN DOCUMENTS

The Plan documents establish and control the management of plan assets. A Plan should maintain a copy of the following documents:

- ☐ Statute/Charter/Ordinance/Resolutions
- ☐ Collective Bargaining Agreements
- ☐ Summary Plan Description
- ☐ Plan Policies
- ☐ Actuarial Reports
- ☐ Audit Reports
- ☐ Legal Opinions and Advisory Memos
- ☐ Qualified Plan Determination Letter
- ☐ Employee/Trustee Handbooks

PLAN POLICIES

- ☐ Service Retirement Policy
- ☐ Disability Retirement Policy
- ☐ Disability Re-examination Policy
- ☐ Disability Offset Policy
- ☐ Domestic Relations Orders Policy
- ☐ Freedom of Information Act Policy
- ☐ Record Retention Policy
- ☐ Securities Litigation Policy
- ☐ Administrative Review Policy
- ☐ Average Final Compensation/Service Credit Policy
- ☐ Verification or Retiree/Beneficiary Data Policy
- ☐ Election Policy
- ☐ Education/Conference Attendance Policy
- ☐ Code of Conduct/Ethics Policy
- ☐ Service Purchase Policy
- ☐ Due Diligence Policy
- ☐ Credit Card Policy
- ☐ Communications Policy
- ☐ Benefit Estimate Policy
- ☐ Proxy Voting

DELEGATION OF FIDUCIARY RESPONSIBILITY

RETENTION OF PROFESSIONALS

Fiduciaries are generally not liable for a breach of duty if that duty has been specifically and properly allocated to another fiduciary. Fiduciaries may delegate responsibility with respect to the management or control of plan assets only to another recognized fiduciary and only if the plan document specifically authorizes the allocation or delegation.

Trustees are responsible to perform duties of trust, <u>except where prudent to delegate</u>. Applicable law typically contemplates that trustees will use others, including professional advisors, to assist in the discharge of fiduciary responsibilities.

ADVISORY TEAM

- ☐ Actuary
- ☐ Administrator
- ☐ Auditor
- ☐ Administrative Staff
- ☐ Custodian
- ☐ Investment Consultant -
- ☐ Investment Manager
- ☐ Legal Counsel
- ☐ Medical Director
- ☐ Special Consultant

The use of professionals will range from a transfer of fiduciary responsibility to simply seeking advice and guidance. Trustees should have a clear understanding of what objectives and purposes are to be accomplished when retaining advisors.

DELEGATION BALANCING ACT

(I can do it all myself) --------------------------------- (Whatever you say is OK)

Δ

PRUDENT TRUSTEE
(Let's consider the options)

One of the hallmarks of prudence is whether the fiduciary undertook a thorough and complete investigation before embarking on a particular course of action. Prior to engaging in any transaction, a fiduciary must have sufficient information to understand the nature of the matter and the specific risks involved. Few trustees are experts in all phases of employee benefit plan investments and administration, nor are they knowledgeable in the entire range of activities integral to the operation of the plan. A trustee has an affirmative duty to seek the advice and counsel of independent experts when his/her own ability is insufficient under the circumstances.

Further, Act 314 provides that an investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system; may retain investment and all other services necessary for the conduct of the affairs of the system; and may pay reasonable compensation for those services.

Fiduciaries are responsible for determining whether the consultants they retain have qualifications in the subject area of the transaction and are capable of adequately discharging the responsibilities delegated. It is essential that the qualification status and written acknowledgment of the fiduciary is well documented in the official records of the plan.

The advice of experts should set forth adequately the benefits and risks of a particular transaction in a form that is comprehensible and should provide sufficient analysis and grounds for making informed decisions. However, an independent appraisal from an expert will not satisfy a fiduciary's duty to act prudently if the information provided to the fiduciaries is inaccurate or based upon erroneous assumptions. Indeed, while fiduciaries have a duty to seek independent advice where they lack the requisite education, experience and skill, they nevertheless must make their own decisions based upon that advice.

The fact that a particular course of action resulted in a loss is not per se indicative of a lack of prudence. If, however, a reasonable, thorough and objective investigation would have demonstrated that the investment was imprudent, liability will ensue. Plan fiduciaries also should review the transaction in an arm's length fashion and compare it to other available options.

Prudence requires the fiduciary to actively select and monitor the activities of advisors. Prudence has developed into a procedural prudence standard that focuses not so much on the results, but on the thoroughness and quality of the decision making process. Therefore, the selection and review process should critically scrutinize the relevant issues and responsibilities.

MONITORING PROCESS/PROCEDURES

The monitoring process of advisors should include basic elements of:

1. Maintain standards of conduct and terms and conditions of relationship (written contract and guidelines)
2. Verify compliance with federal and state laws
3. Conduct regularly scheduled reviews
4. Due Diligence - Site visits
5. Consult with other administrators/ trustees/ industry professionals

The monitoring process on an organizational level should address a firm's:

1. Philosophy/ Goals (i.e., Mission Statement)
2. Ownership/ Management/ Organizational Structure
3. Operational History/ Growth Plan
4. Infrastructure: Resources/ Tools-of-the-Trade
5. Financial Condition
6. Educational Background/ Industry Experience
7. Professional Qualifications
8. Risk Controls/ Insurance
9. Criminal, Civil, Regulatory History
10. Fees
11. Liquidity/Exit Strategy

Finally, the relationship should be reflected in a written contract. Significant deviations from the goals/objectives or unsatisfactory performance should result in the termination of an advisor as soon as prudently possible (i.e., prudence dictates firing, as well as hiring).

SO MANY QUESTIONS - WHERE TO BEGIN?

"A prudent question is one-half of wisdom".

Francis Bacon, 16th Century English Philosopher

MEETING WITH PLAN'S PROFESSIONAL ADVISORS

A Plan Fiduciary should seek advice from professionals who are experts and often delegate responsibility to these professionals. A Plan Fiduciary should meet with each of the Plan's professional advisors to become familiar with the role each professional advisor plays. At this meeting, the advisor should explain the importance of the information contained in their report(s).

The following is a checklist of subjects a fiduciary should cover with the plan's advisors.

☐ Review plan documents with the plan's legal counsel
- ✓ Purpose of the plan and trust.
- ✓ The duties and powers of the Board and its advisors and staff.
- ✓ Procedures for making investment decisions.

- ✓ The powers and limitations of the trustees to delegate responsibility, and the trustee's duty to monitor the performance of the delegated person.
- ✓ Liabilities of the plan and protection against liabilities.
- ✓ The payment of costs and expenses.
- ✓ The dispute resolution procedure for the plan and how it is applied.
- ✓ The methods used to communicate with participants, employer, advisors, the public, etc. Who is responsible?

☐ Review the report(s) that each respective plan advisor has provided. Ask the advisor to explain:

- ✓ scope of the service provided to the plan.
- ✓ adviser's role, experience, qualifications, etc.
- ✓ nature and content of reports provided to plan.
- ✓ any problems or concerns about their company or the plan.
- ✓ explain what is needed from the trustees or other professional advisors to make the plan more efficient and effective.
- ✓ procedures, rules or policies that are unique to this plan.

☐ Review fees and expenses with all of the advisors to the plan.

UNDERSTANDING PLAN FINANCES

A Plan fiduciary should understand items such as:

- ☐ What are the typical expenses of the plan and how are they approved and paid?
- ☐ What resources are used to pay benefits/expenses and how is cash flow managed?
- ☐ What are the investment guidelines for the plan assets?
- ☐ Who establishes the investment guidelines?
- ☐ Who makes the investment decisions?
- ☐ Who is responsible for implementation?
- ☐ How is investment performance and compliance monitored, reported and judged?
- ☐ What has been the investment performance for the past quarter, year and three-year period?
- ☐ Who monitors the fees? How are they accounted for?
- ☐ What type of reserve account(s) does the plan have and what are their purpose?
- ☐ How are reserve amounts determined and what is their current amount?

CONFLICT OF INTEREST

A fiduciary must act in the best interest of the plan and its participants. Fiduciaries should exercise extraordinary precaution to assure that decisions and transactions are fair to the participants and plan and such fairness is well documented. Trustees must ensure that the sharing of information, advisors, or costs does not adversely impact the interests of the plan. Independent advisors should be retained to advise the fiduciaries of their duties, the relevant factors which they may consider in making their decisions and their alternatives.

Trustees don't need to be **Perfect**, just **Prudent**

FIDUCIARY LIABILITY

Fiduciaries who breach their responsibilities shall be "personally liable" for any losses to the plans which they administer and shall be subject to other equitable or remedial relief, including removal from their positions. Further, fiduciaries cannot rely upon "exculpatory" provisions in the plan documents to protect themselves from liability but the plan can purchase liability insurance which covers their acts and omissions.

POTENTIAL AREAS FOR ERRORS

1. Not adequately preparing for a meeting.
2. Not using professionals effectively or specifically asking for verification.
3. Not requiring continuing education in the benefits and investment areas.
4. Failing to choose professionals that are independent and who may not agree with what the trustees want to hear.
5. Finding it hard to ask difficult questions of professionals who serve the Plan.

"An ounce of prevention is worth a pound of cure".

Henry De Bracton, 13th Century English Judge

RISK CONTROL PROGRAM

(1) Legal Compliance:

- Periodic review of plan documents
- Monitor changing legal requirements
- Review of communications to Plan participants
- Accurate and complete records

(2) Education:

- Review plan documents
- Review duties and responsibilities
- Ongoing Trustee Education Program-Seminars/Conferences/ Etc.

(3) Board Meetings:

- Regularly scheduled meetings
- Accurate and detailed minutes

(4) Participant Claims:

- Review record keeping
- Review communications
- Review service provider criteria

(5) Plan Design:

- Review plan during collective bargaining negotiations
- Review potential funding effects
- Analyze potential long-term funding deficiencies
- Review potential conflicts of interest
- Carefully review "Social Investing"

(6) Layer protections in the authorization of fund disbursements

(7) Custodial relationships

(8) Written and approved investment policies and guidelines

(9) Fiduciary Liability Insurance

(10) Document retention program

(11) Compliance Audit- Third-party review

PRACTICAL GUIDELINES

☐ Attend board meetings.

☐ Exercise independent judgment in promoting Plan's best interests.

☐ Attain a comprehensive understanding of the Plan's purpose and activity.

☐ Insure that instructions and directions of the Board are followed.

☐ Operate under accepted, prudent pension industry standards.

☐ Closely monitor the financial condition of the Plan.

☐ Maintain an impartial and objective financial audit program for the Plan.

☐ Periodically evaluate and strictly adhere to the Investment Policy.

☐ Never allow any assets of the Plan to be misused.

☐ Investigate and eliminate any discernable, unsafe or unsound practices.

☐ Manage, conduct and direct the business and affairs of the Plan in accordance with law, regulations, plan documents and policies applicable to the Plan.

☐ Insist all other Trustees adhere to these guidelines.

☐ Maintain adequate records, minutes of meetings and investment transactions.

☐ Devote the necessary time, energy and expertise to fulfill the duties and responsibilities of Trustees.

☐ Establish a system for reviewing the performance of the management of the Plan.

- ☐ Review financial reports and be knowledgeable about the condition of the Plan.
- ☐ Maintain an adequate system for auditing the records of the Plan.
- ☐ Scrutinize Plan professional's performance.
- ☐ Examine the background and qualifications of Plan professionals to ensure they are suited for their roles.
- ☐ Maintain a proper division of authority and responsibility among the officers of the Plan so as to prevent any one individual from dominating its business and affairs.

ADDITIONAL IDEAS TO HELP TRUSTEES SUCCEED

1. Execute a comprehensive written contract with each professional advisor which is specific as to duties and obligations (include time limits and due dates).
2. Have a strictly enforced policy that all factual information for Board action be submitted in advance.
3. Require professional advisors to provide alternatives whenever an economical or controversial decision must be made by the Board.
4. Require professional advisors to provide information on potential economic, legislative, or regulatory activity that may impact the Plan and decisions of the Board.
5. Have at least one annual trustee meeting for the sole purpose of evaluation and planning.
6. Communicate often with Plan participants.

WHAT EDUCATIONAL RESOURCES ARE AVAILABLE?

- ☐ Professional Service Providers
- ☐ Other Trustees
- ☐ Conferences/Seminars
- ☐ Universities/Colleges
- ☐ Publications
- ☐ Internet

VanOverbeke
Michaud &
Timmony, P.C.
Attorneys and Counselors

Michael J. VanOverbeke
Thomas C. Michaud
Jack Timmony
Francis E. Judd
Aaron L. Castle
Robert J. Abb

79 Alfred Street
Detroit, Michigan 48201
Tel: (313) 578-1200
Fax: (313) 578-1201
www.vmtlaw.com

April 28, 2014

RECENT LEGAL ISSUES AND DECISIONS

This summary is presented to provide a general reference to recent legal decisions of interest to Michigan public retirement and healthcare plans.

BENEFITS ADMINISTRATION

Costella v. Taylor Police and Fire Retirement System
Michigan Supreme Court – Decided Feb. 5, 2014 — *495 Mich. 939*
Michigan Ct. of Appeals – Decided Aug. 27, 2013 — *2013 Mich. App. WL 4525894*

The former Fire Chief challenged the Retirement Board's refusal to include severance pay in its calculation of his Final Average Compensation ("FAC"). The Michigan Court of Appeals determined that the Fire Chief's Personal Services Contract was ambiguous because it was silent with respect to the inclusion of severance in FAC and held that the parties intended for the severance payment to be included in his FAC. The Michigan Supreme Court summarily reversed the Court of Appeals and reinstated the trial Court's order, holding that the Retirement Board's decision was supported by competent material and substantial evidence, and dismissed the case.

Michigan Coalition of State Employee Unions v. State of Michigan
Michigan Ct. of Appeals – Decided Aug. 13, 2013 — *302 Mich. App. 187*

State employees' unions brought an action against the State, challenging the constitutionality of statutory amendments to the State Employees' Retirement Act, MCL 38.1 *et seq*. (Public Act 264 of 2011) which required employees hired before April 1, 1997, who had maintained membership in the state defined benefit pension plan, to choose either to contribute 4% of their income to that plan or switch to the 401(k) defined contribution plan. The Unions also challenged the change in the way overtime was applied to the calculation of Final Average Compensation ("FAC"). The Michigan Court of Appeals held that those challenged portions of Public Act 264 of 2011were unconstitutional because they violated Article 11, Section 5 of the Michigan Constitution which governs the State Civil Service Commission. Specifically, the Court held that the statutory amendments changing the nature of state employees' contribution-free retirement plan constituted a change in "rate of compensation" or a "condition of employment" without the approval or consent of the State Civil Service Commission, thus violating the civil service amendment to the State Constitution. The Court further held that the statutory amendment changing the treatment of overtime pay in calculating FAC also invaded the authority of the Commission in violation of the State Constitution's civil service amendment.

Whitsitt v. Public School Employee Retirement System
Michigan Ct. of Appeals – Decided July 25, 2013 *2013 Mich. App. WL 3836003*

Plaintiff worked for Saline Area Schools for 30 years and retired, effective August 1, 2007. She later accepted an offer to teach part-time and began work again for Saline Area Schools on August 27, 2007. Two years later, the Public School Employee Retirement System's Office of Retirement Services determined that the Plaintiff returned to work less than 30 days after her effective date of retirement from Saline Area Schools and ordered her to repay a year's worth of retirement benefits. The Court of Appeals agreed that the petitioner returned to work too early, but held that the remedy imposed by the Retirement System, charging petitioner a year's worth of benefits for improperly working a total of four half-days, was arbitrary and capricious. Instead, the Court held that the petitioner need only repay the salary received for the four days she should not have worked.

Macomb County v. AFSCME Council 25 Locals 411 and 893
Michigan Supreme Court – Decided June 12, 2013 *494 Mich. 65*

The Macomb County Employees Retirement Commission adopted an actuarial table used to calculate joint and survivor retirement benefits for employees retiring after July 1, 2007. In response, union representatives filed unfair labor practice complaints with the Michigan Employment Relations Commission ("MERC"), arguing that the Retirement Commission's 24-year past practice of using the same actuarial table to calculate benefits created a term or condition of employment. The hearing referee recommended that MERC dismiss the unfair labor practice charges, finding that the underlying collective bargaining agreements ("CBAs") contained extensive provisions covering pension benefits and the parties were "satisfied, and agreed, to have these benefits calculated as provided in the ordinance." The hearing referee thus concluded that the respondents had already fulfilled their statutory duty to bargain over the Retirement Commission's actuarial assumptions. MERC rejected the hearing referee's proposed decision, finding that the actuarial assumptions at issue were never memorialized in the Retirement Ordinance or any of the CBAs and that the parties "tacitly agreed that joint and survivor benefits would continue to be calculated as they had been in the past." The MERC decision was upheld by the Court of Appeals but reversed by the Michigan Supreme Court which held that the unambiguous language in a CBA dictates the parties' rights and obligations even in the face of a conflicting past practice, and that this past practice was not so widely acknowledged and mutually accepted that it could create an amendment to the contract. The Supreme Court opined that the party seeking to overcome an unambiguous CBA provision must present evidence establishing the parties' affirmative intent to revise the CBA and establish new terms and conditions of employment. Finally, the Supreme Court held that the grievance process contemplated in the CBA was the appropriate avenue to challenge the Retirement Commission's actions.

RETIREE HEALTH CARE

Trzil v. Village of Chesaning
Michigan Ct. of Appeals – Decided Nov. 26, 2013 *2013 Mich. App. WL 6182645*

Retirees brought this action against their former employer, the Village of Chesaning, claiming breach of contract and promissory estoppel because of changes to the retiree health coverage. A memorandum of understanding provided retirees with a specific Blue Cross Blue Shield plan "or its substantial equivalent" until Medicare coverage began. The employer changed health plans and retirees sought a preliminary injunction to prevent the change. However, the Michigan Court of Appeals held that a plan with higher co-pays and deductibles did not amount to irreparable harm and denied the request for an injunction, reasoning that monetary damages would be available at trial to compensate for any economic losses suffered by the retirees. The matter was returned to the trial court for further proceedings.

Welch v. Brown
6th Circuit U.S. Ct. of Appeals – Decided Jan 3, 2014 *2013 Mich. App. WL 25641*

Retired municipal workers brought an action against Flint's Emergency Manager's ("EM") unilateral modification to their collectively bargained lifetime health care benefits. The U.S. Court of Appeals affirmed the District Court's grant of a preliminary injunction against the EM, finding that the alteration of their lifetime health insurance benefits violated the Contract Clause and Due Process clause of the U.S. Constitution. The Court further held that the modifications constituted a substantial impairment because they required retirees to pay significantly increased amounts for health insurance and such action was not reasonably necessary for the City to avoid bankruptcy or balance the budget.

Tackett v. M&G Polymers USA, LLC
6th Circuit U.S. Ct. of Appeals – Decided Aug. 12, 2013 *733 F.3d 589*

The U.S. Court of Appeals held that the collective bargaining agreement language that provided for "full Company contributions" towards the cost of retiree health care benefits indicated a vested right to free, lifetime retiree health care benefits. The Court further held that subsequent concessions by the Union for active employees did not apply to retirees without prior consent.

Hardaway v. Wayne County
Michigan Supreme Court – Decided July 26, 2013 *494 Mich. 423*

A former appointed employee of the County sought lifetime retiree health care benefits pursuant to a resolution of the County Commission which provided for retiree health care benefits to appointees who were confirmed by the County Commission. The County denied benefits because the individual's appointment was never confirmed by the County Commission. However, the Court of Appeals determined that the individual was entitled to benefits because the resolution was ambiguous and the County's interpretation was inconsistent with rules of statutory construction. Accordingly, the Court concluded that retiree health care benefits were available to all appointees. The Michigan Supreme Court reversed the Court of Appeals and granted summary disposition in favor of Wayne County. The Supreme Court held that the language in Resolution No. 94-903, adopted by the Wayne County Commission in 1994, was unambiguous and extended additional insurance and healthcare benefits only to appointees who were confirmed by the county commission and not members of a board of commissioners.

AFT Michigan, et al. v. State of Michigan
Michigan Ct. of Appeals – Decided Jan. 14, 2014 *303 Mich. App. 651*

The American Federation of Teachers and its membership originally challenged the constitutionality of an amendment to the Public School Employees Retirement Act ("PSERA") which required that public school districts withhold 3% of each employee's wages as "employer contributions" to the retirement system's trust that provides retiree health care benefits. In a prior case, *AFT Michigan v State*, 297 Mich App 597 (2012), the Michigan Court of Appeals concluded that the statute violated federal and state constitutional protections against the impairment of contracts by the state because the statute required school employees be paid 3% less than the amount they and their employers freely negotiated in contracts. The prohibition against the taking of private property was also violated because the statute directs that unique and definable monies be confiscated by governmental employers for the payment of statutorily mandated employer contributions to a state trust fund. Finally, the Court held that the statute violated the employees' due process rights by requiring current employees to fund health care benefits to current retirees without any vested right themselves to receipt of healthcare benefits upon their own retirement.

Following the Court of Appeals' decision, the State amended PSERA so the retiree health care contributions at issue would be *voluntary*, and also lowered health and pension benefit levels prospectively. A number of employee groups challenged the law on the basis of the 2012 Court of Appeals opinion (cited above) regarding the *mandatory* contribution. This time, the Court of Appeals ruled in favor of the State, finding that health care benefits are not constitutionally protected retirement benefits under Article IX, § 24 of the Michigan Constitution. It also ruled that future accruals of retirement benefits were not diminished as increased contributions to keep the current benefit was not an impairment. As members had the choice to keep the current benefit and pay more or to keep the current contribution and accrue less, Article IX, § 24 of the Michigan Constitution was not violated.

COLLECTIVE BARGAINING

AFSCME Council 25 Local 1103.14 v. Charter Township of Harrison
Michigan Ct. of Appeals – Decided Jan. 16, 2014 *2014 Mich. App. WL 198804*

The Harrison Township Retirement Board adopted a policy for the calculation of pension service credit which addressed breaks in Township service. Plaintiffs filed grievances on behalf of several employees who were negatively affected by the policy. Pursuant to the language of the collective bargaining agreements, the Township was required to respond to the grievances, in writing, within 10 days, and failure to do so would cause the grievances to be automatically decided in Plaintiff's favor. The Township did not respond to the grievance within 10 days, but the arbitrators determined that the grievances were not arbitrable because the underlying challenged actions were done by the Retirement Board and not the Township itself. The Michigan Court of Appeals reversed the arbitrators' decision, holding that the "calculation of retirement benefits is a mandatory subject of collective bargaining" and that the grievance procedure was appropriate. The Court ordered that because of the default provision in the collective bargaining agreement, the Township's failing to respond to the grievances within 10 days required the grievance to be decided in Plaintiff's favor.

FOIA/OPEN MEETINGS ACT

Moran v. Risser
Michigan Ct. of Appeals – Decided Dec. 19, 2013 *2013 Mich. App. WL 6693198*

The former executive director of the Manistee-Benzie Community Mental Health Board ("MBCMH") claimed that private discussions by members of the MBCMH regarding his termination violated the Open Meetings Act ("OMA"). The Michigan Court of Appeals found that there were deliberations and discussions about the plaintiff and his possible termination by members of the Board, but held that those deliberations did not involve a constructive quorum and without a quorum, there was no violation of the OMA.

Bellfy v. City of East Lansing
Michigan Ct. of Appeals – Decided June 18, 2013 *2013 Mich. App. WL 3024851*

Prior to a meeting of the East Lansing City Council, the city attorney advised the Mayor that the Council could not convene a closed session to consider the Plaintiff's ethics allegations against the city attorney. The Mayor subsequently relayed the city attorney's advice to other members of the Council. Plaintiff sued, claiming that the communications prior to the Council meeting violated the Open Meetings Act ("OMA"). The Michigan Court of Appeals found that the city attorney's advice to the Mayor and subsequent discussions prior to the meeting were not evidence that the Council deliberated privately in violation of the OMA. The City was entitled to dismissal and sanctions against plaintiff and his attorney.

Trudel v. **City of Allen Park**
Michigan Ct. of Appeals – Decided Nov. 14, 2013 *2013 Mich. App. WL 6037152*

The Michigan Court of Appeals held that the Retirement Board's late response to the Plaintiff's FOIA request was sufficient to render Plaintiff's lawsuit moot. Once the Retirement Board had submitted the documents requested, the substance of the controversy was resolved and the case was moot.

Lawrence v. **City of Troy**
Michigan Ct. of Appeals – Decided Jan 30, 2014 *2013 Mich. App. WL 354704*

The Michigan Court of Appeals held that the maximum amount of punitive damages available under the Freedom of Information Act is $500 per *requester*, not per record requested.

Caffey v. **Gladwin Community Schools**
Michigan Ct. of Appeals – Decided Dec. 26, 2013 *2013 Mich. App. WL 6921541*

Gladwin Community Schools provided its superintendent with a cell phone for school business, allowing personal use of the phone subject to review by the school board. Plaintiff submitted a Freedom of Information Act ("FOIA") request for the phone records. The Michigan Court of Appeals held that because the school board did not possess the records or use them in the course of official business, they were not "public records" as defined under MCL 15.232(e) and, accordingly, the school board was not obligated to provide them to Plaintiff. The school board obtained some of the cell phone records before responding to the FOIA request, at which point they became public records, and were provided to plaintiff in a redacted form. The Court held that the telephone numbers were properly redacted because their disclosure would have constituted a clearly unwarranted invasion of privacy.

Speicher v. **Columbia Township Board of Trustees**
Michigan Ct. of Appeals – Decided Feb. 25, 2014 *2014 Mich. App. WL 783833*

The Columbia Township Board of Trustees ("Board") appointed a Fire Chief Review Committee ("Committee") to facilitate the hiring of a new fire chief. The Committee interviewed candidates in closed meetings and then held three meetings, open to the public, regarding the hiring of the new chief. The trial Court found that the closed Committee interviews violated the Open Meetings Act ("OMA"). However, the Court held that the hiring decision was not invalidated because the Board held three open meetings regarding the hiring of a new fire chief before the decision was made. The open meetings provided ample opportunity for the public to voice any concerns. The Court of Appeals agreed that the hiring decision should not be invalidated, but reversed the trial Court and awarded attorney's fees to Plaintiff, holding that the mere finding that a defendant violated the OMA, without more, is sufficient to find that a plaintiff succeeded in "obtaining relief" in an OMA action.

DISABILITY

Trudel v. **City of Allen Park**
Michigan Ct. of Appeals – Decided Nov. 14, 2013 *2013 Mich. App. WL 6037152*

Plaintiff, a former district Court judge, was granted a disability pension from the State of Michigan Judges Retirement System, which does not differentiate between duty and non-duty disability. Plaintiff subsequently sough a duty disability retirement from the Allen Park Retirement System and was denied. The Michigan Court of Appeals held that the fact that the Plaintiff was granted a disability pension by the State Retirement System failed to establish that he was entitled to a duty disability retirement from the Allen Park Retirement System. The Court further opined that a finding by other entities that Plaintiff was totally and permanently disabled fails to establish that his injury, illness, or disease resulted from the performance of his judicial duties. The matter was returned to the trial court for further proceedings.

DOMESTIC RELATIONS

Caudry v. Caudry
Michigan Ct. of Appeals – Decided Jan. 30, 2014 *2014 Mich. App. WL 354653*

A Plan Participant and his former spouse divorced in 2001 and the judgment of divorce contained a provision awarding the former spouse a 50% share of the Participant's pension upon his retirement from the Adrian Public School System. Shortly after the parties remarried in 2004, the Participant retired and received a $52,000 early retirement buyout. At trial for their second divorce in 2011, the former spouse claimed that the entire $52,000 buyout was an extension of the marital property from the first marriage. However, the Michigan Court of Appeals disagreed, noting that only the portion of the pension that actually accrued during the marriage must be considered part of the marital estate. The Court held that the early retirement buyout accrued during 29 years he worked for the School System prior to the second marriage. The portion of the Participant's pension that accrued during the first marriage but before the second marriage constituted a separate asset that was not part of the second marital estate. Accordingly, the Court held that the accrual of the Participant's pension during the first marriage was already adjudicated and that the early retirement buyout should not be treated as an extension of marital property from the first marriage.

Presley v. Kirk
Michigan Ct. of Appeals – Decided Mar. 11, 2014 *2014 Mich. App. WL 953606*

A Plan Participant and his former spouse divorced in 1994 and the judgment of divorce awarded his former spouse 50% of his retirement benefit. The parties subsequently submitted a Qualified Domestic Relations Order ("QDRO") that nominated the former spouse as the Participant's surviving spouse. The Participant subsequently remarried and identified his widow as his spouse when he applied to start receiving retirement benefits. Following the Participant's death, his widow's application for surviving spouse benefits was denied because his former spouse was already receiving benefits in accordance with the QDRO. The trial Court granted the widow's motion to amend the QDRO to eliminate the former spouse's right to receive survivorship benefits because the original judgment of divorce did not nominate the former spouse as the surviving spouse. The Michigan Court of Appeals reversed the trial Court's order because the parties were free to modify a judgment of divorce by mutual consent with a subsequently entered QDRO and the QDRO contained language indicating its incorporation into the judgment of divorce. The Appellate Court held that the entry of the QDRO, which included survivorship benefits, was valid and ordered that the original QDRO be reinstated. The matter was returned to the trial court for further proceedings.

BAY COUNTY
PERSONNEL DEPARTMENT
Tim Quinn, Director
quinnt@baycounty.net
(989) 895-4098 (T)
(989) 895-2076 (F)

Thomas L. Hickner
County Executive

Tiffany Jerry, Payroll/Benefits Super.
jerryt@baycounty.net
(989) 895-4032 (T)
(989) 895-2076 (F)

Janie Tacey, Retirement Adm./Acct.
taceyj@baycounty.net
(989) 895-4043 (T)
(989) 895-4113 (F)

Jeanie Deckert, Wellness Coordinator
deckertj@baycounty.net
(989) 895-4087 (T)
(989) 895-2076 (F)

Becky Smutek, Payroll Clerk
smutekb@baycounty.net
(989) 895-4044 (T)
(989) 895-2076 (F)

June 4, 2014

To: Retirement Board

From: Tim Quinn, Director of Personnel, Employee Relations, and Corporation Counsel

Re: Retiree Electronic Deposit of Pension Checks

Question Presented by Retirement Board on May 13, 2014

Can retirees be forced to accept their pension checks electronically?

Short Answer

Yes

Discussion

Currently, there are 742 (84.6%) employees receiving pension checks electronically. There are 135 (15.4%) who receive a paper check, for a total of 877 pension payments.

Electronic deposits are $.97 each and paper checks are $1.35 each for a difference of $.38 each. The additional costs associated with issuing paper checks:

	135 checks
X	$.38
X	12 months
Total	$615.60 annually

Since we do not handle any of these pension payments, I do not see any indirect costs. However, it should be noted that when we had severe weather last year, the staff spent a significant amount of time fielding retiree complaints. An additional advantage would be that going to direct deposit mirrors other efforts in the County to go paperless.

Options

1. Leave as is.
2. Have all new retirees go to direct deposit
3. Have all retirees go to direct deposit.

Please feel free to contact me if you have any further concerns.